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Financial Markets and banking

-

The Role of Multinational Firm in the Globalized World in Applications

Strategic project of TBU in Zlín, reg. no. CZ.02.2.69/0.0/0.0/16_015/0002204

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín, Faculty of Management and Economics, Department of Finance and Accounting

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Brief Content

1. **Introduction**
2. **Globalization and related terms**
3. **Multinational firm and FDIs**
4. **Analyzing competitiveness of multinational companies**
5. **Review questions**

Note: The textbook VYCHYTILOVÁ, J. (2020) ***The Role of Multinational Firm in the Globalized World in Real Applications.*** **This handbook created within the same project is explaining particular topics in this presentations and is highly recommended to use with this presentation for deeper understanding.**

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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Structured Content

1. Introduction

financial management, international financial management and business environment, international finance, limitations of the lecture

2. Globalization and related terms

globalization of the world economy, connectivity and integration, transnatialization, major trends)

3. Multinational firm and FDIs

why firms become international, case studies, firm and country- specific factors & competitiveness

4. Analyzing competitiveness of multinational companies

Porter´s diamond framework , Porter five forces model, analysis of market structure and five factors determining market structure

5. Review questions

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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Learning outcomes statements (1)

1. Explain the three major dimensions of international finance field.
2. Mention the basic topics of international finance.
3. Distinguish between financial management and international financial management.
4. Mention the main goals for international financial management.
5. Explain the term international business environment.

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Tomas Bata University in Zlín,
Faculty of Management and Economics

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Learning outcomes statements (2)

6. Discuss the reasons why to study international financial management.
7. Discuss the globalization of the world economy and its key trends and developments, with real examples (concentrate on emergence of euro, Europe´s sovereign debt crisis and GFC 2008-2009)
8. Explain terms trade liberalization, economic integration and connectivity and use real examples (focus also, inter alia, on Brexit).
9. Explain the term transnationalization and how it differs from globalization.
10. Define the MNC and discuss its role in the globalized world.

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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Learning outcomes statements (3)

11. Mention why firms become international.
12. Mention few real examples of biggest MNCs based on the profit.
13. Discuss global FDI trends. Analyse FDI inflows worldwide by region and mention the largest FDIs recipients worldwide.
14. Explain terms G20, APEC and NAFTA.
15. Explain firm-specific and country-specific factors and how it relates to company competitiveness.

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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Learning outcomes statements (4)

16. **Explain Porter´s diamond framework and four distinct stages of national competitive development. Discuss the main points of criticism of Porter´s diamond framework, as well.**
17. **Explain Porter five forces model.**
18. **Explain what does the peer group mean and mention the concrete steps to detect it.**
19. **Discuss the analysis of market structures and how it relates to competitiveness of MNCs.**
20. **Explain how can be captured buyers´ and sellers´ behaviour using supply and demand analysis and dicuss the interpretation of coefficients in the demand function on real example.**

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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1. Introduction

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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Foundations of International Financial Management: the role of MNCs in the globalized world in applications

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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1. Introduction – Financial management

The **financial management** conerns to make various corporate financial decisions **optimally** , such as pertaining to:

- working capital management,
- Financing,
- dividend policy,
- Investments,

to achieve a set of given corporate objectives -> maximizing shareholder wealth

(Eun & Resnick, 2018)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

1.1 What do we mean if we say “international business environment”? (1)

- In international business environment operate enterprises (small, medium, large, multinational “**MNEs**”, financial, non-financial...)

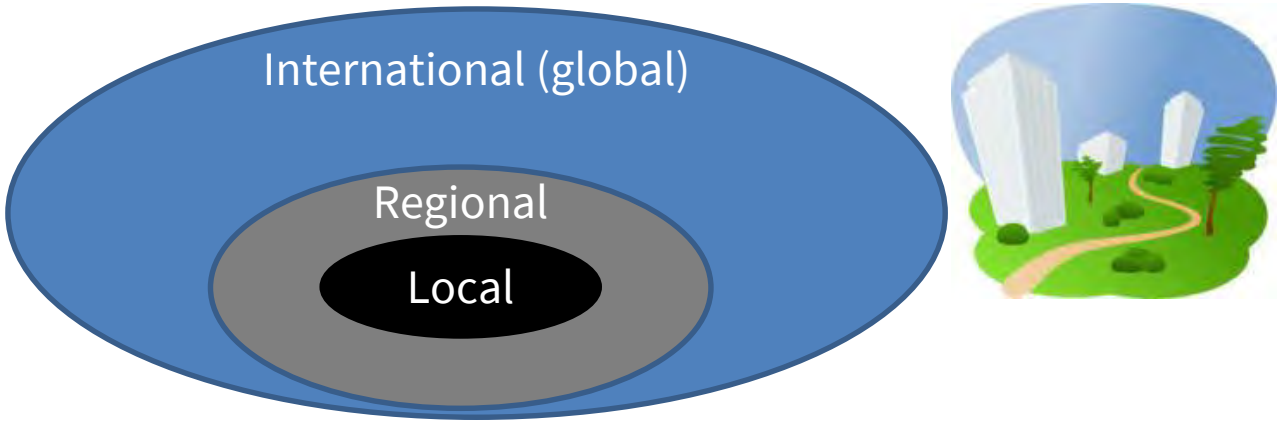

Fig. International, regional and local business environment Source: own processing

- **SME´s** is a size-based cathegory of enterprises, where **large companies are excluded**)
- **SMLE´s** means **small**, **medium** and **large enterprises**

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1.1 What do we mean if we say “international business environment”? (2)

The **international business environment** refers collectively to various factors, namely**:**

- Governmental factors
- Intergovernmental factors
- Systemic factors
- Cultural factors

(Warnock, 2016)

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Tomas Bata University in Zlín,
Faculty of Management and Economics

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1.1 What do we mean if we say “international business environment”? (3)

The international scope of business creates

- new opportunities for firms
- but it also poses many challenges and threats as became clear in 2008 in case of housing and mortgage crisis in the United States that consequently led to global financial crisis.

(Bekaert and Hodrick, 2013)

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1.2 What international financial management means?

Bekaert and Hodrick (2013) define the **international financial management**:

- "The field of international financial management addresses financial decisions facing corporate managers regarding trade and investment across national borders."

- This lecture is limited to the field of international financial management.

- However, there are various aspects of international business environment and finance.

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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1.3 Why to study international financial management? (1)

As a consequence of effort of **multinational corporations** (MNCs) to source inputs and locate production anywhere in the world where are profits higher, and costs lower -> while, we are living in:

- a **highly globalized and integrated world economy**
- and **due to continuously liberalizing international trade***

**"international trade contributes a great deal to economic growth, lifting millions of people from poverty around the world"* (Eun & Resnick, 2018, p. 16)

,resulting to internationalizing goods and services production and consumption patterns around the world, international financial management is needed to be studied.

(Eun & Resnick, 2018)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

1.3 Why to study international financial management? (2)

Similarly, **financial markets became highly integrated**, allowing diversify investment portfolios internationally.

Many major corporation worldwide such as for example IBM, Toyota, British Petroleum, etc. have their shares **cross-listed** on foreign exchanges (it means traded on more stock exchanges) allowing international trading.

Consequently e.g. Toyota´s venture, in China can be financed partly by Americal investors who buy Toyota shares on NYSE (New York Stock Exchange).

(Eun & Resnick, 2018)

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1.3 Why to study international financial management? (2)

Example of integrated financial markets in today´s world

In 2016 U.S. investors collectively invested:

- $154 billion in foreign securities (stock, bonds)

, whereas foreigners invested:

- $276 billion in U.S. securities

(IMF, 2016)

1.4 Goals for international financial management (1)

Main goal of international financial management is **shareholder wealth maximization**

, as can be defined as followed by Eun and Resnick (2018, p.8):

"the firm makes all business decisions and investments with an eye toward making the owners of the firm – the shareholders – better off financially, or more wealthy, than they were before."

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1.4 Goals for international financial management (2)

Knowledge of fundamental concepts of international financial management is necessary for global managers.

In particular,

- dealing by using several tools and instruments **with exchange risk** and **market imperfections**
- taking maximizing the benefits from **an expanded global opportunity set** in the same time, into account.

(Eun & Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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1.4 Goals for international financial management (3)

Main long-run goal of international financial management - shareholder wealth maximization:

- is accepted as an ultimate goal in "Anglo-Saxon" countries (the U.S., UK, Australia, Canada)
- however, in European countries like France, Germany are **shareholders** generally viewed as one of the **stakeholders** of the firm (others being employees, customers, suppliers, banks, etc) and European managers tend to promote the firm´s stakeholders´ overall welfare as the main goal.

(Eun & Resnick, 2018)

1.4 Goals for international financial management (4)

- **Main long-run goal of international financial management - shareholder wealth maximization:**

Eun and Resnick (2018) add that due to liberalizing and internationally integrating capital markets also managers in non-Anglo-Saxon countries are beginning to pay serious attention to shareholder wealth maximization.

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1.5 Three dimensions of international finance field (1)

Foundations of international financial management is part of broad field-international finance.

International finance cover three main dimensions:

1. **Foreign exchange and political risk**
2. **Market imperfections**
3. **Expanded opportunity sets**

(Eun & Resnick, 2018)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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1.5 Three dimensions of international finance field (2)

Example- **Foreign Exchange** (1st dimension)

- Mexican peso depreciated drastically against the U.S. dollar in December 1994
- Mexico was, however, major export market for your U.S. company
- As a result your U.S. company´s products, following the peso´s fall, the peso price of American imports will rise.

(Eun & Resnick, 2018)

1.5 Three dimensions of international finance field (3)

Example - **Political risk** (1st dimension)

Political risk is faced by firms and individuals as a result of international settings.

- Political risk ranges from expropriation of assets held by foreigners to unexpected changes in tax rules.
- Simply said political risk arises from a fact that parites can be affected by changing the “rules of the game” by sovereign country.
- The property rights of investors and shareholders are not universally respect.

(Eun & Resnick, 2018)

1.5 Three dimensions of international finance field (4)

Example - **Political risk** (1st dimension)

(cont.)

- in 1992 – Enron Development Corporation signed a contract to build India´s largest power plant.
- After Enron had spent approximately $300 million, the contract was cancelled by nationalist politicians in the Maharashtra saying India didn´t need the power plant, in 1995.

(Eun & Resnick, 2018)

1.4 Three dimensions of international finance field (5)

Example – **Market imperfections** (2nd dimension)

- World economy is more integrated today than before 10 or 20 years ago
- Yet, movements of goods, services, people and capital across national boundaries is still limited by variety of barriers
- These barriers are making the world markets highly imperfect -> market imperfections

(Eun & Resnick, 2018)

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1.5 Three dimensions of international finance field (6)

Example – **Market imperfections** (2nd dimension)

Example of aforementioned barriers resulting into market imperfections:

- Legal restrictions
- Excessive transaction and transportation costs
- Information asymmetry
- Discriminatory taxation
- Market imperfections play important role whe MNCs are considering to locate production overseas.
- Financial market imperfections face also investors when diversifying porfolios

(Eun & Resnick, 2018)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

1.5 Three dimensions of international finance field (7)

Example – **Expanded opportunity set** (3rd dimension)

By venturing firms into global markets an expanded opportunity set can be gained:

- firms can in order to maximize their performance and raise funds in capital market with the lowest cost, to locate production in any country or region
- and to benefit from greater **economies of scale**
- crucial is to study how to maximize the benefits from the global opportunity set, taking controlling political risk, currency risk and various market imperfections into account.

(Eun & Resnick, 2018)

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1.5 Three dimensions of international finance field (8)

Example – **Expanded opportunity set** (3rd dimension)

What are economies of scale?

Benefiting from the **economies of scale**

- means reducing costs resulting of making and selling goods in large quantities,

- for example ability to buy large amounts of materials at reduced prices on global market), when their intangible and tangible assets are deployed on a global basis.

(Eun & Resnick, 2018)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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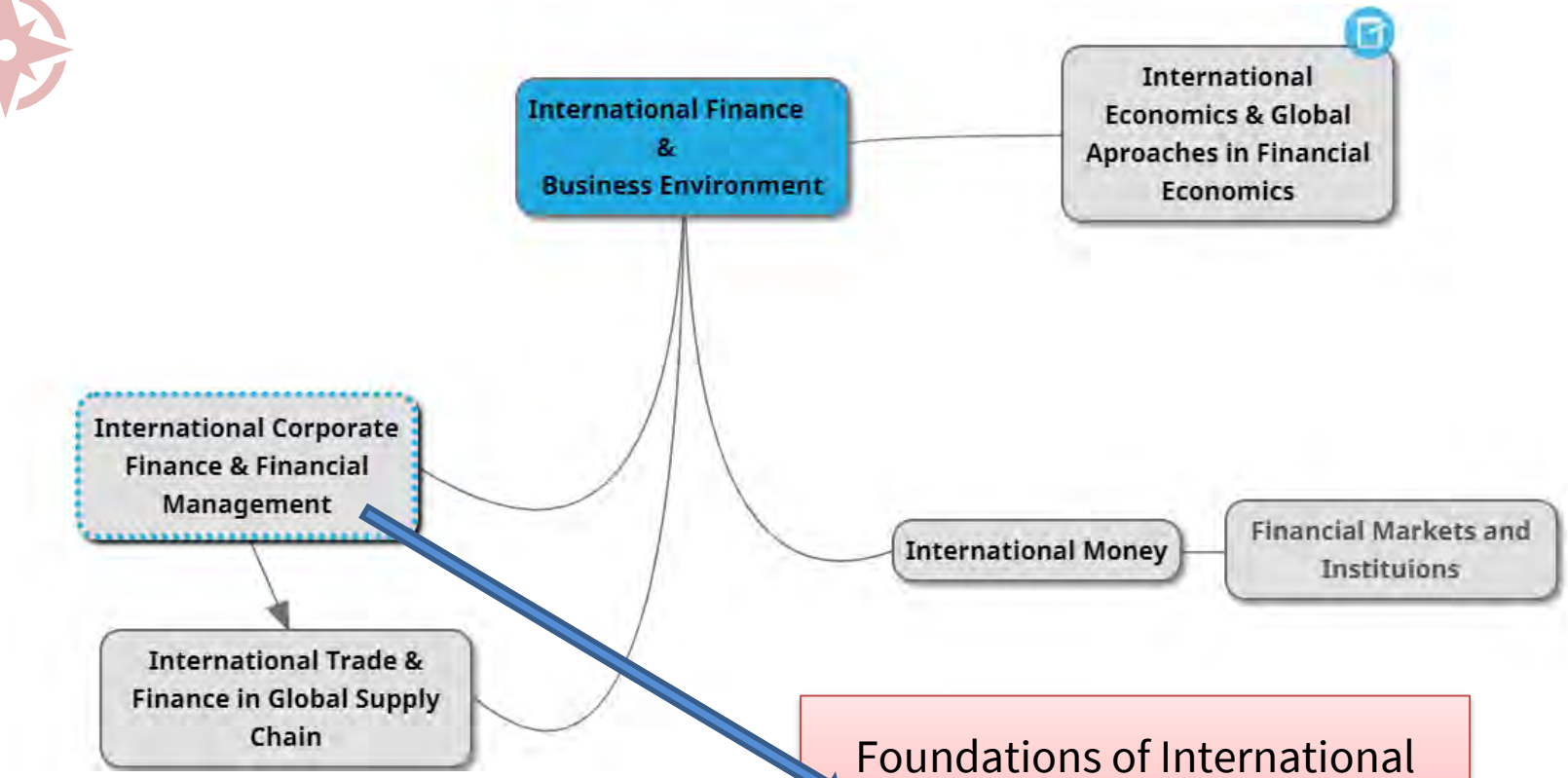
1.6 Lecture dedication (1)



Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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1.6 Lecture dedication (2)

Foundations of International Financial Management: the role of MNCs in the globalized world

The topic of the lecture is related:

- to international/global studies
- and frequently tied to global economic and international relations,

consequently interconnecting politics, economics and law on a global level.

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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(Eun & Resnick, 2018)

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1.7 Lecture limitations

The lecture is limited to the field of international financial management.

However, there are various aspects of international business environment and finance, such as:

- international economics and global approaches in financial economics
- international business environments and operations
- international trade, global supply chain and finance
- financial markets and institutions
- international trade and foreign direct investment
- foreign exchange market

For deeper understanding of these topics see the international business and finance-based literature in the list of references.

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2. Globalization and related terms

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (1)

Introduction to globalization phenomenon

The term "**globalization**" is becoming highly popular describing business practices and management throughout the current century

Among several key trends and developments of the world economy belong, for example:

1. Emergence of globalized financial market
2. Emergence of the euro as a global currency
3. Europe´s sovereign debt crisis of 2010
4. Continued trade liberalization and economic integration
5. Large-scale privatization of state-owned enterprises
6. The global financial crisis of 2008-2009

(Eun and Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (2)

Major trends and developments:

1. Emergence of globalized financial market

- 1980s and 1990s saw a rapid integration of financial markets and international capital

- It was a result of deregulating capital markets and foreign exchange by government of major countries, admitting as members foreign firms as full members of domestick stock excahanges and foreign exchange market

(Eun and Resnick, 2018)

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Tomas Bata University in Zlín,
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2.1 Globalization of the world economy (3)

Major trends and developments:

1. Emergence of globalized financial market

Example – Most celebrated deregulation called “Big Bang”

- Occured in London 27 Oct. 1986
- London Stock Exchange (LSE) eliminated fixed brogerage commissions
- Also regulation separating the order-taking fuction from market-making function was eliminated, and foreign commercial banks were eligible for membership on LSE

(Eun and Resnick, 2018)

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2.1 Globalization of the world economy (4)

Major trends and developments:

2. Emergence of the euro as a global currency

- is dated formerly to 1999 when the euro started, having ramifications for world economy.

- the transaction domain of the euro may become potentially larger than that of the U.S dollar in the future (taking into account the size of euro zone based on population, economic output and world trade share) and become another global currency in international trade and finance

(Eun and Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
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2.1 Globalization of the world economy (5)

Major trends and developments:

2. Emergence of the euro as a global currency (cont.)

- So far, 19 European countries has adopted euro, making circulating single currency widely in Europe, and new members of the EU (like Poland, Hungary or Czechia) may adopt the euro eventually.

- The monetary policy for the euro zone is formulated by European Central Bank (ECB) located in Frankfurt, legally mandated to achieve price stability for the euro zone.

(Eun and Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (6)

Major trends and developments:

3. Europe´s Sovereign Debt Crisis of 2010

- The sovereign debt crisis in Greece accounts for only 2.5 percent of euro zone GDP, however, quickly escalated to a Europe-wide debt crisis.

- This crisis revealed weakness of euro as the common currency, while Euro-zone countries share monetary policy (monetary integration) by adopting the euro, but not share fiscal policy governing taxation and borrowing and spending control of national governments (no fiscal integration).

(Eun and Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (7)

Major trends and developments:

3. Europe´s Sovereign Debt Crisis of 2010 (cont.)

- Addressing the disparity between monetary and fiscal integration for credibility and value of euro is, however, vital.

(Eun and Resnick, 2018).

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Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (8)

Major trends and developments:

3. Europe´s Sovereign Debt Crisis of 2010

Case study: Greek´s debt (1)

- Started in **December 2009** revealing by Greek government its **budget deficit** for the your **12.7 % of GDP** (not 3.7 % as forecasted and falsified by the previous government in national account data) making bond markets suffer

- **Europe´s stability pact, of which Greece was part of, limits the annual budget deficit of a euro-zone country to a maximum of 3 % of GDP.**

(Council on Foreign Relations, 2019)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (9)

Major trends and developments:

3. Europe´s Sovereign Debt Crisis of 2010

Case study: Greek´s debt (1)

- The problems of Greece attributes to **wages and prices rising faster than productivity** and **excessive borrowing and spending.**

- Financial contagion is another term that can be used for **panic spreading to other European economies (Ireland, Portugal, Spain**) and consequently resulting in 2010 by downgrading the **credit rating** (especially government bonds) by world credit rating agencies, making borrowing and refinancing more costly.

(Council on Foreign Relations, 2019)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (10)

Major trends and developments:

3. Europe´s Sovereign Debt Crisis of 201

Case study: Greek´s debt (2)

- **Greek interest rate began to rise sharply on May 7, 2010** and also chaotic sovereign defaults led to a **sharp fall of the euro´s exchange value in currency markets**.

- **First EU-IMF Bailout for Greece:** To avoid default of Greece, IMF and EU agreed to provide Greece with 110 bln euros in loans over three years, where Germany provided the largest sum (80 bln euro), for cuts and tax increases (30 bln euro) in return.

(Council on Foreign Relations, 2019)

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Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (11)

Major trends and developments:

3. Europe´s Sovereign Debt Crisis of 2010

Case study: Greek´s debt (2)

- The European Central Bank (ECB) launched **Securities Market Program allowing it to purchase government bonds** of struggling sovereigns, like Greece, on the secondary market in order to prevent further sovereign debt contagion throughout the eurozone and to boost market confidence. Furthermore, ECB ministers also agreed on rescue measures worth **750 billion euros for struggling eurozone economies**, **in 2010**

(Council on Foreign Relations, 2019)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (12)

Major trends and developments:

3. Europe´s Sovereign Debt Crisis of 201

Case study: Greek´s debt (3)

- **Second EU-IMF bailout for Greece** (largest debt restructuring) **in 2012, worth 130 bln euros**, 53.5 percent debt write-down for private Greek bondholders, for reducing debt-to-GDP ratio from 160 percent to 120.5 percent by 2020 in return.

- In 2014 Greece is returning to international bond market by issuing Eurobonds after 4 years, raising 3 bln euros in 5-year bonds, with initial yield of under 5 percent signaling a low rate as a return to economic normalcy. The market showed investors renewed confidence, while offer raised to 1 bln euros, more than was expected.

(Council on Foreign Relations, 2019)

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Tomas Bata University in Zlín,
Faculty of Management and Economics

2.1 Globalization of the world economy (13)

Major trends and developments:

3. Europe´s Sovereign Debt Crisis of 2010

Case study: Greek´s debt (3)

- **In 2015 ECB announced 1.1 trillion euro** (inter alia 60 bln euro to purchase financial assets including government bonds, each month, excluding Greek bonds considered as not eligible yet under ECB rules) **Quantitative Easing program (QE) as a result of economic stagnation and deflation in Euro zone, to spur inflation and growth.**

(Council on Foreign Relations, 2019)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (14)

Major trends and developments:

3. Europe´s Sovereign Debt Crisis of 2010

Case study: Greek´s debt (4)

- **In 2015** Greek eurozone exit was only narrowly averted and opens the way to a possible **third bailout program worth up to 86 billion euros from EU** since 2010 to be distributed through 2018, in exchange for implementing tax reforms, cut public spending, privatize state assets, and reform labor laws, among other measures, as required by European creditors. IMF refuses to contribute additional funds until the creditors provide Greece a sort of significant debt relief and warn that the country's debt is unsustainable and that budget cuts EU creditors demand of Athens will hamper Greece's ability to grow.

(Council on Foreign Relations, 2019)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

2.1 Globalization of the world economy (15)

Major trends and developments:

3. Europe´s Sovereign Debt Crisis of 2010

Case study: Greek´s debt (4)

- **In 2018 Greek** exits final (third) bailout program from 2015 and in total Greece owes the EU and IMF 290 bln euros representing a **public** debt 180 percent of GDP, that is going to be financed by commitment of running budget surplus through 2060, accepting EU financial supervision and additional austerity measures.

(Council on Foreign Relations, 2019)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (16)

Major trends and developments:

3. Europe´s Sovereign Debt Crisis of 2010

Case study: Greek´s debt (5)

- Recently in 2018 EU officials are pointing to Greece's return to growth and falling unemployment (however at 20 percent, it remains the EU's highest)
- while the IMF, however, maintains that the Greek economy, which has shrunk by 25 percent since the beginning of the crisis, will likely require further debt relief.

(Council on Foreign Relations, 2019)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

2.1 Globalization of the world economy (17)

Case study: Greek´s debt (6)

- Greek crisis forced creditors recognizing **government debt is not always without risk** (risk free), making investors to carefully recognizing the **credit risk** of countries with huge budget deficits (such as Portugal, Spain and Italy)

- and letting them know governments of aforementioned countries had to pay **a higher risk premium** to compensate for their credit risk, which increased their cost of borrowing funds.

(Madura, 2015)

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2.1 Globalization of the world economy (18)

Contagion effects

- is connected to international integration of credit markets

- **problems that happened in one country are, however, not limited to that country, but are spreading to and weakening other countries** (eg. In Greek case, impacting European countries, restricting economic growth)

- Example: Credit crisis 2008 spread to the rest of the world forming global financial crisis (GFC); Greek crisis escalated to a Europe-wide debt crisis.

(Madura, 2015)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (19)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (1)

- the vital argument to be involved in international trade stems from **the theory of comparative advantage** (**Ricardo, 1817**)

- Based on comparative advantage, international trade is mutually beneficial for countries if they trade and specialize in the production of goods they can produce most efficiently, allowing to countries consume more goods, consequently leading to enhance the welfare of the world´s

(Ricardo, 1817; Eun and Resnick, 2018)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (20)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (1)

- "all players become winners who participate in international trade" (Eun and Resnick, 2018, p. 14) is against prior theory of mercantilists who believed international trade is "zero-sum" game in which only one country from both can benefit.

- The theory of comparative advantage is powerful intellectual rationale for promoting free trade.

(Ricardo, 1817; Eun and Resnick, 2018)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (21)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (2)

- International trade has increased nearly three times as fast as world GDP between 1950 and 2014 (from 7 percent to 26.2 percent)

- International trade increased for some countries much faster

(Eun and Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

2.1 Globalization of the world economy (22)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (2)

Examples

- International trade of Germany rose from 6.2 percent to 51.1 percent (over the same period)
- International trade of Korea grew from 1 percent to 51.5 percent (over the same period)
- Some countries have relatively low export-to-GDP ratios (for example Argentina, Brazil, Mexico), having protectionist economic policies, however, nowadays increasingly pursuing free-market and open economy.

(Eun and Resnick, 2018).

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2.1 Globalization of the world economy (23)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (3)

The process of global and regional economic integration is connected to liberalization arrangements among countries. Liberalization arrangements among countries occure at:

- Global level
- Regional level

(Eun and Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

2.1 Globalization of the world economy (24)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (3)

Liberalization, real examples:

- General Agreement of Tarriffs and Trade (GATT), global level
- World Trade Organization, global level
- European Union (EU), regional level
- North American Free Trade Agreement (NAFTA), regional level

(Eun and Resnick, 2018).

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2.1 Globalization of the world economy (25)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (3.1)

- **General Agreement of Tarriffs and Trade (GATT)** (liberalization on global level example)

- Multilateral agreement among member of countries playing on eliminating and reducing tariffs, quotas, subsidies and other barriers to international trade, founded in 1947

(Eun and Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

2.1 Globalization of the world economy (26)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (3.1)

- In 1986 happened a so-called the Uruguay Round aiming to:
  - Reduce import tariffs worldwide by 38 percent, in average
  - Extend the rules of world trade to cover agriculture, services such as insurance and banking, and intellectual property rights
  - Increase proportion of duty-free products to 44 percent from 20 percent in industrialized countries
  - Create a permanent World Trade Organization (WTO) to replace GATT.

(Eun and Resnick, 2018).

2.1 Globalization of the world economy (27)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (3.2)

- **World Trade Organization** (liberalization on global level example)

- World trade organization is more powerful to enforce international trade rules than GATT

- China, the second largest economy to the United states, is since late 1970s implementing market-oriented economic reforms, and joined WTO in 2001

- Also India, the third largest economy in the world, is attracting foreign investment through opening its economy and implementing its own market-oriented reforms.

(Eun and Resnick, 2018).

2.1 Globalization of the world economy (28)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (3.2)

- **World Trade Organization** (liberalization on global level example)

Example

China and its membership in WTO will further legitimize free trade idea (latest discussions of round at Doha Round in Qatar in 2001 are still continuing, aiming to:

- Lower trade barriers around the world
- Promote free trade between developed (negotiations led by United States, European Union and Japan) and developing countries (led by China, Brazil and India "BRIC", where R stands for Russia)

(Eun and Resnick, 2018).

2.1 Globalization of the world economy (29)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (3.3)

- **European Union (EU)** (liberalization on regional level example)

- Is an example of liberalization on regional level (monetary and economic union, free trade)
- It evolved from European Economic Community (EEC) which was established to foster economic integration among Western Europe countries
- Currently EU consist of 28 member states,
- This countries have eliminated barriers to the free float of people, capital and goods
- This regional arrangements among countries is strengthening economic position relative to United States, China and Japan
- In 1999, eleven members of EU successfully adopted a single common currency, euro
- Since 2001 another 6 countries adopted the euro (Greece, Cyprus, Estonia, Malta, Slovenia and Slovakia) and merger and acquisition (M&A) deals in Europe have become comparable to U.S. deals

(Eun and Resnick, 2018).

2.1 Globalization of the world economy (31)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (3.4)

- **North American Free Trade Agreement (NAFTA)** (liberalization on regional level example)

- In 1994 Canada, the United States and Mexico formed NAFTA

- While U.S.´s largest trading partner is Canada and the third largest is Mexico

(Eun and Resnick, 2018).

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2.1 Globalization of the world economy (32)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (3.4)

- The main aim is free trade (eliminating tariffs and import quotas among members) to **foster increased trade** among members, consequently to increase number of **jobs** and **standard of living** in member countries.
- In NAFTA case the tariffs were called for phasing out over a 15-year period

- For example, ratio of export-to-GDP boosted from 2.2 percent in 1973 to 32 percent in 2014, in Mexico, attributable to NAFTA

(Eun and Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

2.1 Globalization of the world economy (33)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (3.5)

- **Brexit (1)**

- On June 23 2016 British referendum voted for unexpected outcome concerning voluntarily leaving EU called “Brexit”

- Historically, Britain is a country that championed free trade and liberal capitalism, and London´s position as the dominant financial European centre, therefore calling for Brexit meaning disintegration of the EU seems unexpected, threatening globalization process that has taken place for the last 60 years

(Eun and Resnick, 2018).

2.1 Globalization of the world economy (34)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (3.5)

- **Brexit (1)**

- Brexit may weaken European Union and also United Kingdom politically and economically

- All 60 percent of Londoners voted for remaining in the EU, but only 45 percent of voters from the other parts of London voted for staying in EU (one of the reason can be voters outside London felt alienated from the globalized economy, concerning about competition for jobs from immigrants)

(Eun and Resnick, 2018).

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2.1 Globalization of the world economy (35)

Major trends and developments:

4. Trade liberalization and economic integration and connectivity (3.5)

- **Brexit (2)**

Concrete threats resulting from Brexit:

- Difficulties associated with free trade
- Difficulties associated with global economic integration (free movements of goods, capital and people)
- Enhancing protectionism forces, limiting “shared growth” resulting from free trade and economic integration.

In the worst scenario if protectionism wins over free trade, in general everybody may end up becoming losers (based on comparative advantage theory)

(Eun and R esnick, 2018).

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2.1.1 Globalization: connectivity and integration (1)

How globalization can be defined?

The concept of **globalization** refers to the increasing connectivity and integration of countries and enterprises and the individuals within them in terms of their

- economic,
- political,
- and social activities.

(Bekaert and Hodrick, 2013)

What is connectivity?

According to World Bank (2013) connectivity refers to a country's ability to effectively connect to others within a particular network. The concept of connectivity is thus key in the context of global and regional value chains.

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1.1 Globalization: connectivity and integration (2)

What is integration and how it relates to liberalization?

The term integration is widely explained as a process within which emerging economies are integrated into the global economy.

- trade liberalization (economic integration)
- capital market liberalization (financial integration)

(Bekaert and Hodrick, 2013)

The degree of liberalization is important factor when examining how do countries become better connected in the global network. (World Bank, 2013).

2.1 Globalization of the world economy (37)

Connectivity (2)

Case study: Global connectivity and export performance – case of air services market (1)

The World Bank has developed a novel method for measuring countries' connectivity in global networks and has applied it to the global air transport network.

- Well-connected countries that are strongly connected to other well-connected countries are considered "hubs" in this definition.
- Less well-connected countries are "spokes."

(World Bank, 2013).

2.1 Globalization of the world economy (38)

Connectivity (2)

Case study: Global connectivity and export performance – case of air services market (2)

- The Air Connectivity Index (ACI) shows that connectivity is highly concentrated in North America and Europe (“hubs”); most developing countries are relatively poorly connected (“spokes”).

- Developing countries looking to increase their participation in global value chains need to improve their connectivity as part of their overall competitiveness strategy, including the progressive liberalization of their air transport sectors.

The degree of liberalization of market is important factor when examining how do countries become better connected in the global network.

(World Bank, 2013).

2.1 Globalization of the world economy (39)

Connectivity (2)

Case study: Global connectivity and export performance – case of air services market (3) Policy implications:

- **Connectivity is an important determinant of competitiveness in a networked world**.

- Improved connectivity can substantially **reduce the transaction costs** associated with exporting and importing, and thereby improve a country's ability to take full advantage of the **benefits offered by global and regional value chains.**

(World Bank, 2013).

2.1 Globalization of the world economy (40)

Connectivity (2)

Case study: Global connectivity and export performance – case of air services market (3) Policy implications (cont):

- policy makers need to be concerned with two primary factors when it comes to connectivity: (i) **building stronger links with global and regional hubs** and (ii) **increasing the number and quality of connections** with a wide range of countries to improve their place in the global network

- The important role in improving connectivity plays **liberalization** of air services markets.

(World Bank, 2013).

2.1.2 Globalization vs. transnationalization (1)

What means transnationalization?

- The process of the growing concentration and monopolization of economic resources by transnational corporations and by global financial firms and funds is considered a major feature of globalization and has been termed transnationalization.

- It simply means: fewer and fewer transnational corporations are gaining a large and rapidly increasing proportion of world's economic resources, production, and market share.

2.1.2 Globalization vs. transnationalization (2)

What means transnationalization?

Transnationalism theory says :

- there exist increased connections between societies across the world, whether they are in matters of economics, politics, and/or culture.

A transnational perspective means shifting the unit of analysis from individual states to a global system.

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2.1 Globalization of the world economy (41)

Major trends and developments:

5. Privatization (1)

- Privatization speeded up the economic integration (which begun in 1980s) in the 1990s, while the collapse of communism in the Eastern Block countries quickly accelerated the process

- The sale of state-owned business brings to the national treasury hard-currency foreign reserves, being believed widely to be the vital benefit of privatization for many less-developed countries, enabling them to pay down sovereign debt

(Eun and Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

2.1 Globalization of the world economy (42)

Major trends and developments:

5. Privatization (1)

- Privatization as a denationalization process

- It simply means that a country divests itself of ownership turning the state-operated business (state ownership also called as state run business) to the free market system (capitalism) brining new owners also from abroad, importing also before non-existing cultural influence

(Eun and Resnick, 2018).

2.1 Globalization of the world economy (43)

Major trends and developments:

5. Privatization (2)

- Often, privatization is seen as a cure for bureaucratic inefficiency and waste improving efficiency and reducing operation costs by as much as 20 percent

- Term SOEs means state-owned enterprises and is commonly used

- Several cases show privatization is connected to globalization, by opening economy to foreign capital, achieving fiscal stability in return and competitive market environment. However, foreign owners (foreign investors/cross-border investments) control the domestic companies changing for example worker´s rights.

(Eun and Resnick, 2018).

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2.1 Globalization of the world economy (44)

Major trends and developments:

5. Privatization (3.1)

Case 1 – The Czech Republic (Czechia): "Czech-style voucher privatization system 1991-1995"

- The main factor was speed
- Czech government gave business to the Czech citizens
- For a nominal fee, vouchers were sold allowing to Czech citizens (investors) to buy a peace of businesses in auction block (from 1991 to 1995 more than 1 700 companies were turned to private hands and become newly privatized firms) and more than three-quarters of the Czech citizens became stockholders.

(Eun and Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

2.1 Globalization of the world economy (45)

Major trends and developments:

5. Privatization (3.2)

Case 2 – Russia – voucher privatization system

- More than 80 percent of the country´s nonfarm workers work now in private sector and shift to private ownership is highly visible also in other sectors

- Via a Czech-style voucher system, 40 million Russians became stockholders of more than 15 thousands large and medium companies (previously state-owned companies) through mass auctions.

(Eun and Resnick, 2018).

2.1 Globalization of the world economy (46)

Major trends and developments:

5. Privatization (3.3)

Case 3 – China – stock markets played a vital role in privatization

- While in China, privatization has been realized by listing SOEs on the organized exchanges eligible for private ownership (in early 1980s two stock exchanges were launched in China – Shenzhen Stock Exchange and Shanghai Stock Exchange, opening market of China to the world and market-oriented reforms, while nowadays Chinese stock markets are becoming largest in Asia in terms of capitalization by listing more than 2 000 companies)

Chinese government, however, still retains the majority stakes in most public firms

(Eun and Resnick, 2018).

2.1 Globalization of the world economy (47)

Major trends and developments:

5. Privatization (3.3)

Case 3 – China – stock markets played a vital role in privatization

- What are the main advantages of stock markets for China?
  - Raising new capital for business investments and ventures
  - Propagating corporate ownership of Chinese firms (mainly by investing in so-called B-shares listed on Shanghai or Shenzen stock exchanges; and H-shares listed on Hong Kong Stock Exchange or on other international exchanges)

(Eun and Resnick, 2018).

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2.1 Globalization of the world economy (48)

Major trends and developments:

6. The global financial crisis of 2008-2009

6.1. Subprime mortgage, important terms (1)

- **Subprime mortgage** is a financial instrument with usually adjustable-rate being refinanced frequently, intended to facilitate modest and low income households to buy a house.

- Banks that are allowed to offer mortgages are raising funds by **securitization of subprime loans**

(Eun and Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

2.1 Globalization of the world economy (49)

Major trends and developments:

6. The global financial crisis of 2008-2009

6.1. Subprime mortgage, important terms (1)

- **Securitization of the loan** means, simply, that once subprime mortgage loan originated, it is pooled and packed into a so-called mortgage-backed securities (MBS) and, furthermore, it is sold to institutional investors worldwide.

- Securitization was safe in the period when the prices of houses were rising (1996-2005)

(Eun and Resnick, 2018).

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2.1 Globalization of the world economy (50)

Major trends and developments:

6. The global financial crisis of 2008-2009

6.1. Subprime mortgage, important terms (2)

- However, once U.S. interest rates become rising in early 2004 as a result of tightening monetary policy of the Federal Reserve (FED, U.S. central bank), house prices began to decline in 2006.

- Rationally, subprime borrowers (low and modest income households) started to struggling with payments and started to default, spreading risk among investors having significant consequences to eroding the bank capital base in U.S. and abroad.

(Hun and Resnick, 2018).

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2.1 Globalization of the world economy (51)

Major trends and developments:

6. The global financial crisis of 2008-2009

6.1. Subprime mortgage (3):

- Begun in 2007 began in U.S.
- led to severe credit crunch, consequently letting households, firms and bank making borrowing and refinancing difficult
- escalated to global financial crisis (GFC) 2008-2009

(Eun and Resnick, 2018).

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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2.1 Globalization of the world economy (52)

Major trends and developments:

6. The global financial crisis of 2008-2009 (GFC) (1):

- Started 14 September 2008 when iconic Lehman Brothers (the major U.S. investment bank with a global presence) went bankrupt letting the world know that prior valid phrase too-big-to fail does not is valid anymore, taking off confidence inf financial markets and institutions worldwide

- Consequently U.S. stock market index Dow Jones Industrial Average (DJIA) fell from peak 14 164 (Oct 9 2007) to a through of 7 062 (Feb 27, 2009) resulting 50 percent decline
- U.S. unemployment rate rose from 4.4 percent (May 2007) to 10.1 percent (Oct 2009)

(Eun and Resnick, 2018).

2.1 Globalization of the world economy (53)

Major trends and developments:

6. The global financial crisis of 2008-2009 (GFC) (2):

- International trade has been reducing rapidly at the same time
- It impacted advanced economies (such as U.S., Japan, European union), but also even less severely emerging economies (such as Brazil, China and Russia)
- GFC is commonly referred also as “Great Recession” while it is considered as the biggest economic synchronized downturn since Great Depression.

(Eun and Resnick, 2018).

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3. Multinational firm and FDIs

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

3.1 Multinational firm (1)

Definition of multinational corporation (MNC) (1)

- Bekaert and Hodrick (2013, 11) **define** multinational corporation (MNC) as:

"*a company engaged in producing and selling goods* ***in more than one country***", dominating the corporate landscape as a consequence of globalization.

Multinational corporations (MNCs) operate on a global scale, with satellite offices and branches in numerous location.

- Examples of MNCs: Ebay, Alibaba, Amazon, ExxonMobil, Walmart, Apple, Sberbank...

Eun and Resnick (2018, p. 19) states: "*foreign direct investment by MNCs is a mojor force driving globalization of the world economy*" stemming out their importance.

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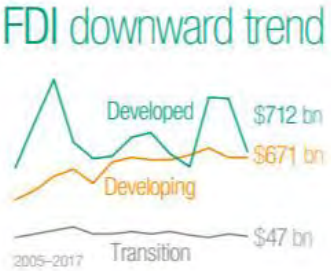


3.1. Multinational firm (2) Case Study- FDIs (1)

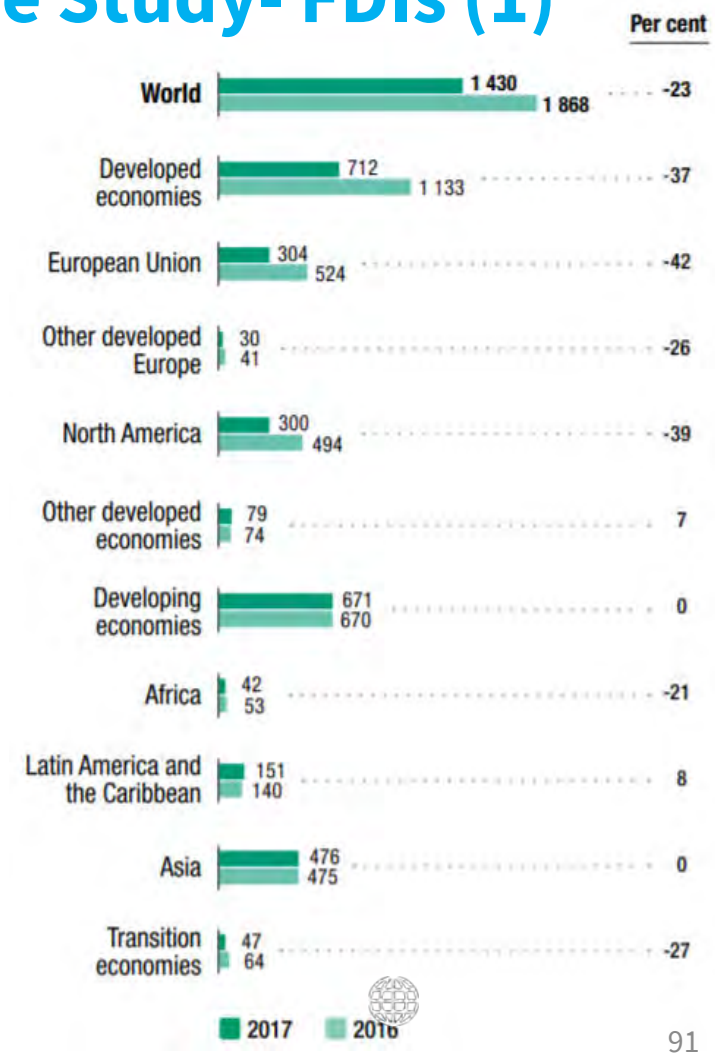
FDI inflows by region (2016-2017) in billions of dollars and percent
In 2017:

- **Total world: 1 430 bln USD**
- Developed economies: 712 bln USD (50% decrease)
- Developing economies: 671 bln USD
- Transition economies: 47 bln USD

Regions

- Asia: 476 bln USD
- North America: 300 bln USD
- European Union: 304 bln USD
- Latin America and Caribbean: 151 bln USD
- Africa: 42 bln USD

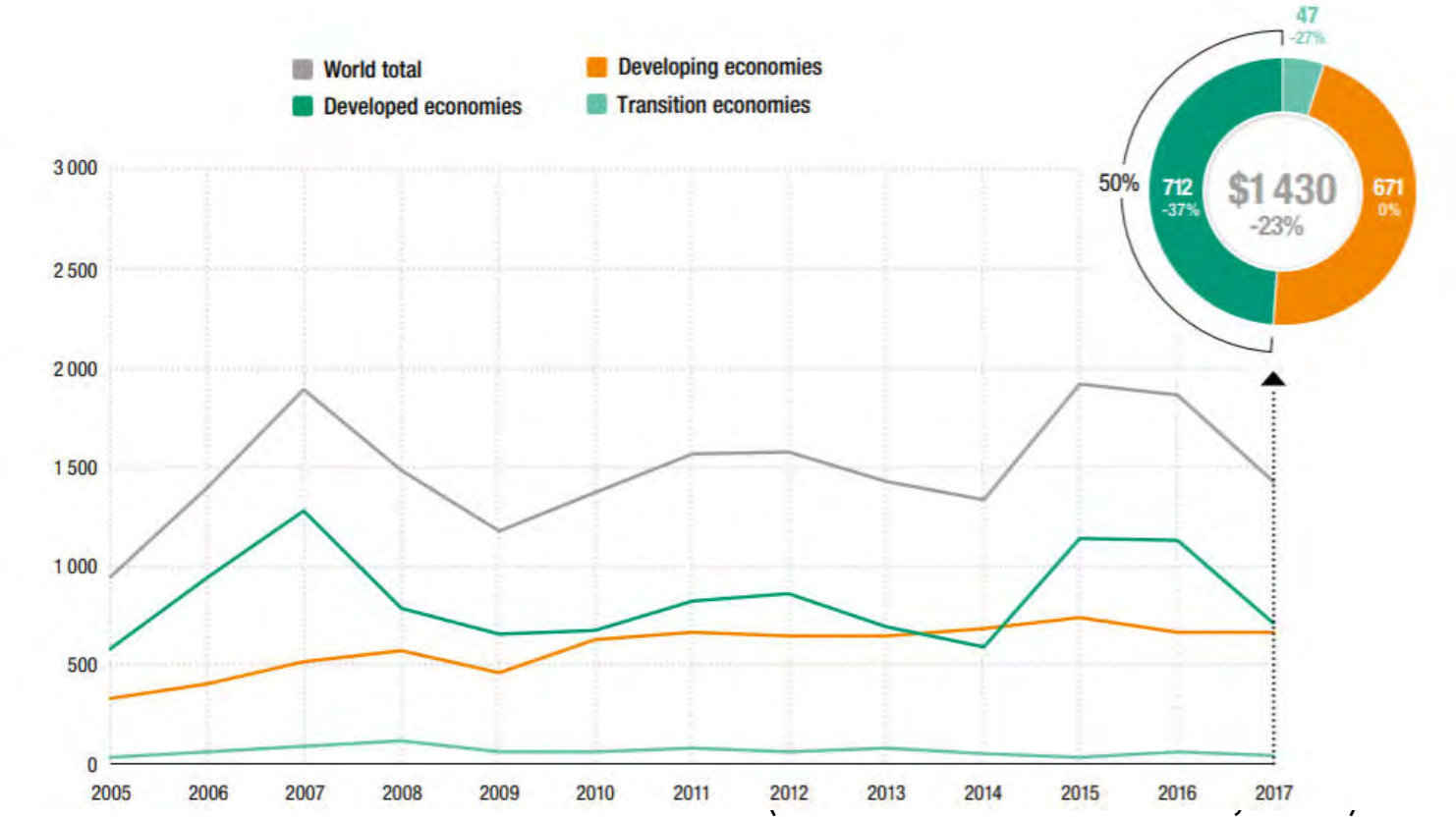
(Source: United Nations, 2018)



Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

3.1. Multinational firm (3) Case Study - FDIs (2)

FDI infows, global and by group of economies, 2005–2017 (Billions of dollars and per cent)



(Source: United Nations, 2018)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

3.1. Multinational firm (4) Case Study - FDIs (3)

Largest FDIs recipients worldwide (FDI infows) 2017 attracting (Billions of dollars):

1. **United Nations:** 275 bln USD developed economy
2. **China**: 136 bln USD developing/transition economy
3. **Hong Kong**: 104 bln USD developing/transition economy
4. Brazil: 63 bln USD developing/transition economy
5. Singapore: 62 bln USD developing/transition economy
6. Netherlands: 58 bln USD developed economy
7. France: 50 bln USD developed economy

Note. **CIS states/economies** mean Commonwealth of Independent States countries of Russia, Ukraine, Belarus and Kazakhstan

(Source: United Nations, 2018)

(Source: United Nations, 2018)

3.1. Multinational firm (5) Case Study - FDIs (3)

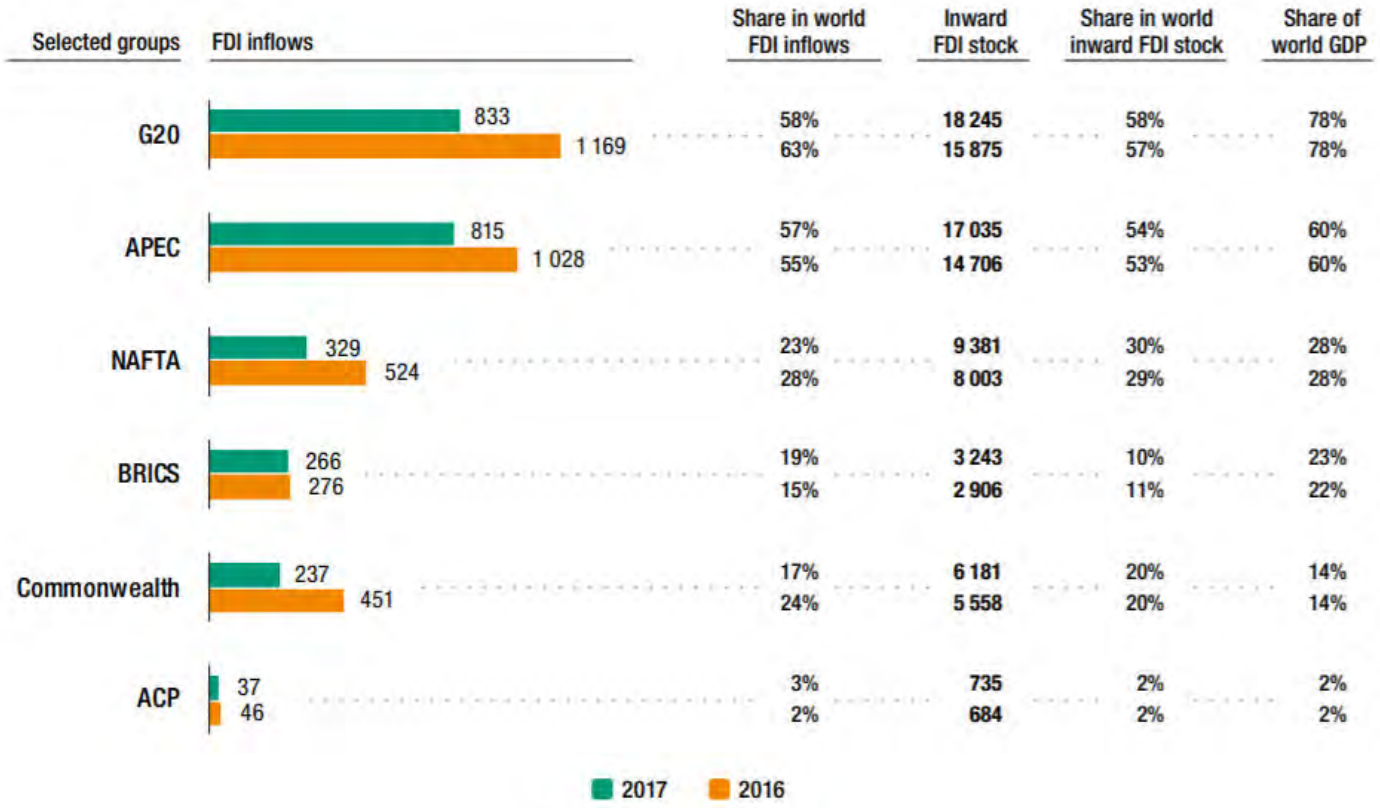
**Largest FDIs recipients worldwide (FDI infows)
2017 attracting (Billions of dollars):**

8. Australia: 48 bln USD developed economy
9. Switzerland: 41 bln USD developed economy
10. India: 40 bln USD developing/transition economy
11. Germany: 35 bln USD developed economy
12. Mexico: 30 bln USD developing/transition economy
13. Ireland: 29 bln USD developed economy
14. Russian Federation: 25 USD developing/transition economy

(Source: United Nations, 2018)

3.1. Multinational firm (6) Case Study - FDIs (3)

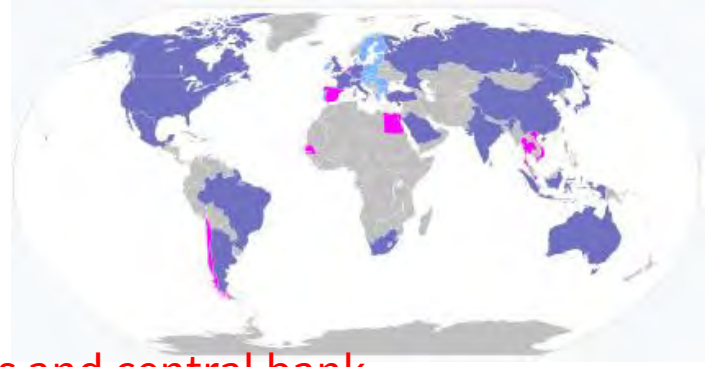
FDI in selected groups, 2016 and 2017 (Billions of dollars and per cent)



(Source: United Nations, 2018)

3.1.1 Notes – groups of countries (1)

G20 (Group of Twenty)



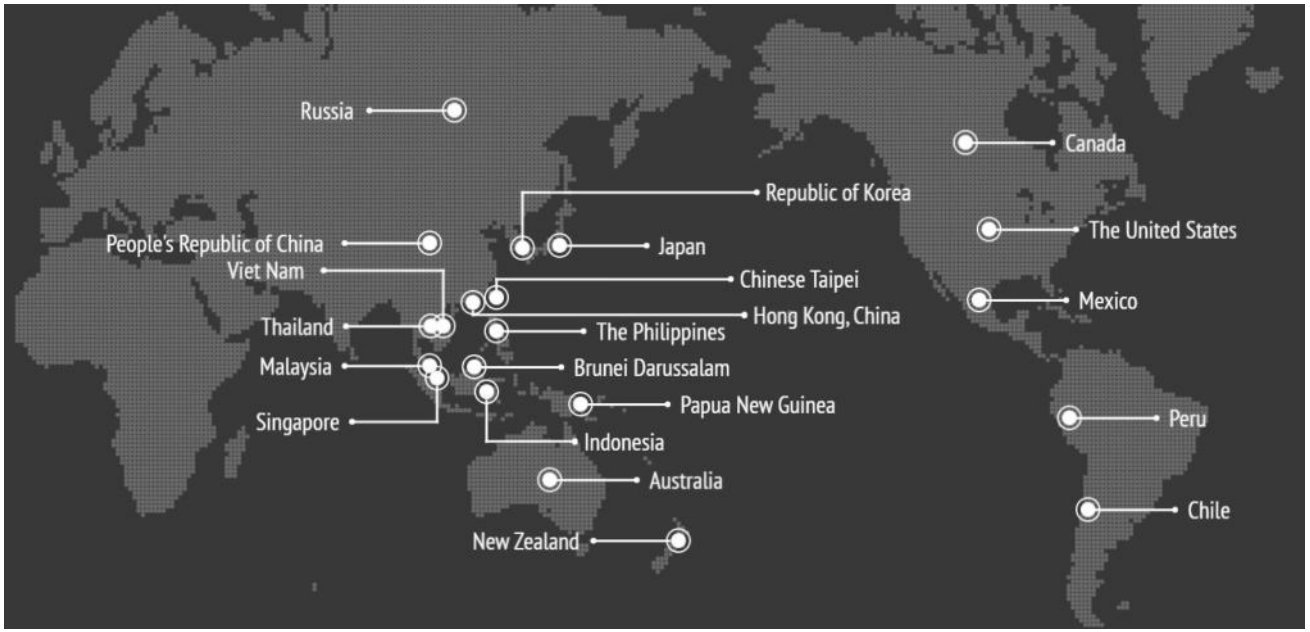
- is an international forum for the governments and central bank governors from 19 countries and the European Union (EU) for international economic cooperation

- Bringing together developed and developing countries over continents, in particular, **20 biggest economies in the world**:

  - Representing 80% of the world´s economic output
  - two-thirds of global population
  - and three-quarters of international trade.

3.1.1 Notes – groups of countries (2)

APEC (Asia – Pacific Economic Cooperation)



- is an inter-governmental forum for 21 member economies promoting free trade in Asia-Pacific region, since 1989

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

3.1.1 Notes – groups of countries (3)

NAFTA (Asia – Pacific Economic Cooperation)

NAFTA has three member States, namely:

- Canada,
- Mexico
- and United States.

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

3.1. Multinational firm (7) Case Study - FDIs (3)

Global FDI trends

The **current global decline in FDIs** by 23 % in 2017 (the global rate of return on inward FDI was down to 6.7 per cent in 2017)was part of the sizeable and long-term negative cycle caused by several factors (United Nations, 2018):

- **asset-light forms of overseas operations**, which are causing a structural shift in FDI patterns
- significant **decline in rates of return on FDI** over the past five years

(Source: United Nations, 2018)

3.1. Multinational firm (8) Case Study - FDIs (3)

Global FDI trends (cont.)

- In Africa, for instance, the decline of 21 per cent can be partly explained by the fall in commodity prices (largely to wak oil prices resulting to lower profits of commodity-exporting economies such as Egypt, Mozambique, Congo, Nigeria and Andgola) during the period

- The FDI environment in some regional and interregional groups could be significantly affected by ongoing **policy developments**

(Source: United Nations, 2018)

3.1. Multinational firm (9) Case Study - FDIs (3)

Global FDI trends (cont.)

Developing Asia

- regained position of largest FDIs recipient region (FDIs rose by 25 %) in 2017,
- among the largest FDIs recipients belonged China, Hong Kong and Singapore.

However, the largest FDIs recipient

- remains United States yet, FDIs declined by 40 % in 2017)

(Source: United Nations, 2018)

3.1. Multinational firm (10)

Definition of multinational corporation (MNC) (2)

Eun and Resnick (2018, p. 19) broaden the aforementioned definition of Bekaert and Hodrick (2013):

MNC is a "*business firm incorporated in one country that has production and sales operations in many countries*", pointing out insights MNCs is able:

- to obtain financing for their (global) operations from various financial centers around the world in different currencies,
- forcing their treasurer´s offices:
  - to establish banking relationships
  - and to place short-term funds in several currency denominations
  - and to effectively mange foreign exchange risk.

United Nations (UNCTAD) use commonly term MNEs (multinational enterprises)

3.1. Multinational firm (11)

Why firms become international (multinational firm/company/corporate/conglomerates/enterprise "MNCs"/"MNEs")**?**

1. To internationaly diversify against the risks and uncertainties of the domestic business cycle.
2. To tap the growing world market for goods and services.
3. To respond to increased foreign competition and a desire to protect their home market share.
4. To reduce of costs by setting up operations close to the foreign customer.
5. To overcome protective devices such as tariffs and non-tariffs barriers by serving a foreign market from within.
6. To take advantage of technological expertise by manufacturing goods directly (by FDI) rather than allowing others to do it under a license.

Rugman and Collins (2006)

3.1. Multinational firm (12)

Case study 1 – The world´s 500 largest companies (1)

- The world's 500 largest companies generated $32.7 trillion in revenues and $2.15 trillion in profits in 2018
- These companies employed 69.3 million people worldwide and are represented by 34 countries.

(Global Fortune 500, December 2019)

In practice, under the prevailing rules multinational enterprises pay taxes in the countries in which they locate their affiliates and activities.

The Organisation for Economic Co-operation and Development (OECD) estimates that US$100–$240 billion is lost in revenue each year from base erosion and profit shifting by multinational companies. This amount is equivalent to 4–10 percent of global corporate income tax revenue.

(World Bank Development report, 2019)

3.1. Multinational firm (13)

Case study 1 – The world´s 500 largest companies based on profit (2)

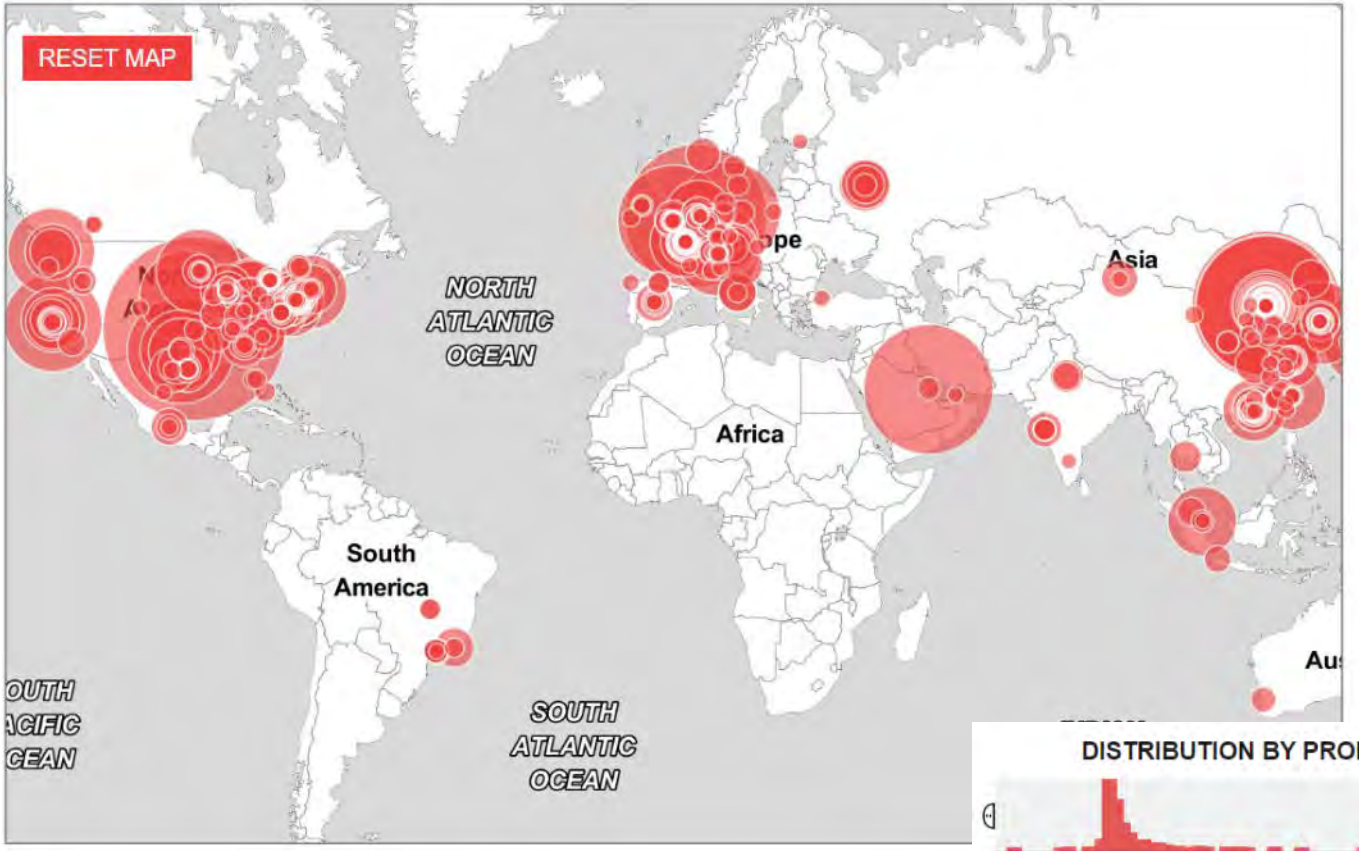
The Top 10	Revenues ($M)
Walmart	514,405
Sinopec Group	414,649
Royal Dutch Chell	396,556
China National Petroleum	392,976
State Grid	387,056
Saudi Aramco	355,905
BP	303,738
Exxon Mobil	290,212
Volkswagen	278,341
Toyota Motor	272,612

(Global Fortune 500, December 2019)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

3.1. Multinational firm (14)

Case study 1 – The world´s 500 largest companies, headquarters (3)



(Global Fortune 500, December 2019)

3.1. Multinational firm (15)

Case study – Italian family-held firms and acquisition

Italian families own important manunfacturers and hold operating control of major banks and transportation companies in the country (e.g., in fashion industry- Versace, Missoni, Benetton; in manufacturing industry – Pirelli).

- **Example of acquisition**

Along with Benetton, Pirelli has bought a controlling interest in Olivetti-Telecom, the giant Italian computer and telecommunications corporation. This acquisition has also brought both Benetton and Pirelli into the wireless telecommunications business. This example illustrates a typical of the holdings and influence of large Italian families in the country, supported by the secretive banking system holding board positions on many of the country's conglomerates.

(Rugman and Collins, 2006)

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4. Analyzing competitiveness of multinational companies

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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4.1. Analyzing competitiveness of multinational firm (1)

Introduction to industry and company analysis

Understanding the industry in which a company operates provides an essential framework for the analysis of the individual company (company analysis)

Industry analysis is useful for:

- understanding a company's business and business environment;
- identifying active equity investment opportunities;
- formulating an industry or sector rotation strategy;
- and portfolio performance attribution

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
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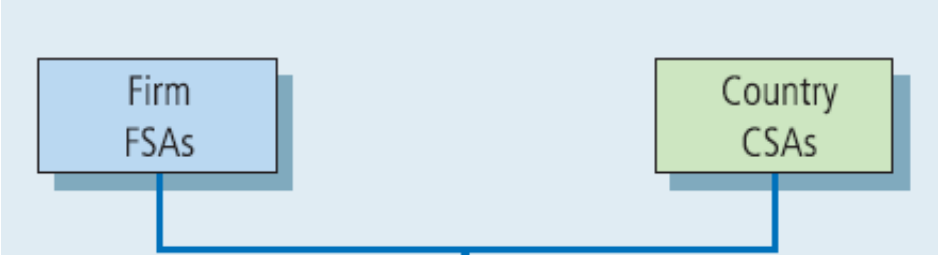
4.1. Analyzing competitiveness of multinational firm (2)

Firm specific & country-specific factors, and competitiveness (1)



Source: Rugman and Collins (2006)

Rugman and Collins (2006) point out **firm's international abilities and competitiveness** can also be described **through acombination** of firm-specific advantages (FSAs) and country-specific advantages (CSAs).

(Rugman and Collins, 2006)

4.1. Analyzing competitiveness of multinational firm (3)

Firm specific & country-specific factors, and competitiveness (3)

Country specific advantages/factors CSAs -> location specific analysis

- also referred as “natural factor endowments of a nation”
- cover benefits or strengths specific to country

(Rugman and Collins, 2006)

4.1. Analyzing competitiveness of multinational firm (4)

Firm specific & country-specific factors, and competitiveness (3)

- **Country specific advantages/factors CSAs (cont.)**

benefits or strengths specific to country can result from.

- labor force and associated cultural factors (for instance efficient and skilled relatively low-cost labor force)
- geographic location and natural source endowments (mineral, energy, forests and other natural resources),
- government policies (for instance trade barriers restricting imports),
- industrial clusters,
- and its competitive environment

(Rugman and Collins, 2006)

4.1. Analyzing competitiveness of multinational firm (5)

Firm specific & country-specific factors, and competitiveness (2)

- **Firm specific advantages/factors FSAs**
- unique capability of organization determining the competitive advantage of organization.
- Strength or advantages specific to a firm as a result of contributions that can be made by its
  - personnel,
  - marketing,
  - product process technology,
  - equipment,
  - or distributional skills

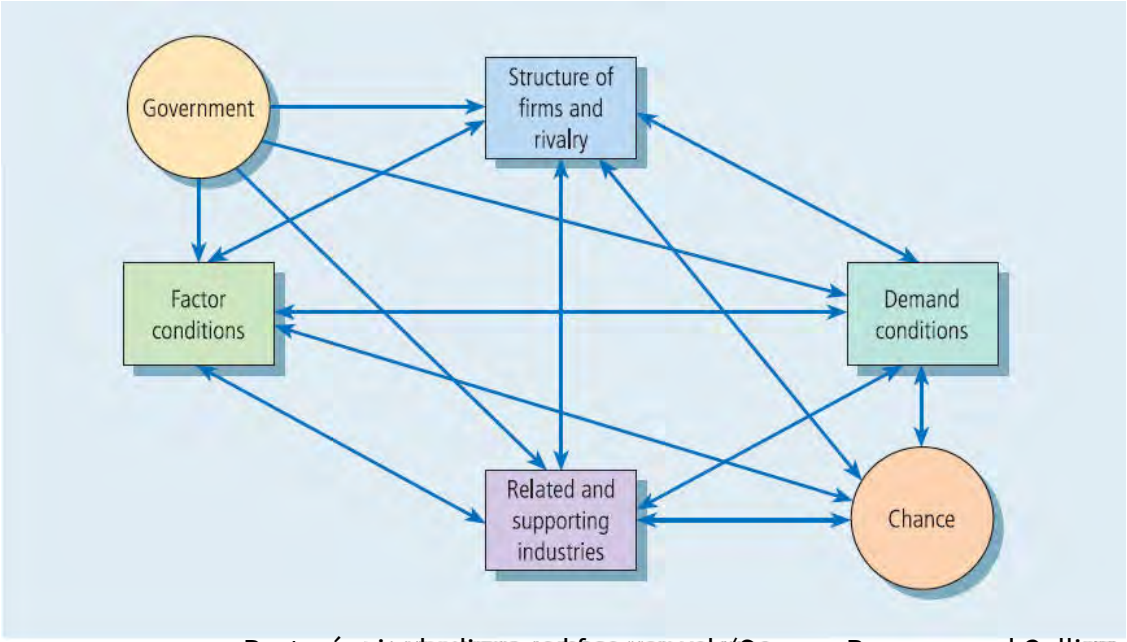
(Rugman and Collins, 2006)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

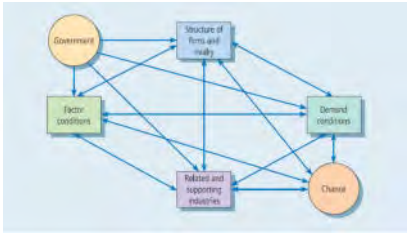
4.1. Analyzing competitiveness of multinational firm (6)

Firm specific & country-specific factors, and competitiveness (3)

- **Porter´s diamond framework (1)**
- MNEs managers build strategies using interactions of country and firm specific advantages (CSAs-FSAs) to position a firm into a unique space



Porter´s single diamond framework (Source: Rugman and Collins, 2006, adapted with permission of Porter, 1998)



4.1. Analyzing competitiveness of multinational firm (7)

Firm specific & country-specific factors, and competitiveness (3)

- **Porter´s diamond framework (2)**

4 specific factors shaping the competitive environment of industry:

1. Factor conditions
2. Demand conditions
3. Related and supporting industries
4. Firm strategy, structure and rivalry

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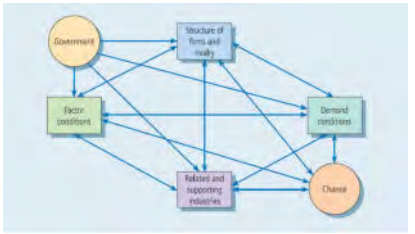

4.1. Analyzing competitiveness of multinational firm (8)

Firm specific & country-specific factors, and competitiveness (3)

- **Porter´s diamond framework (2) (cont.)**

Additional two variables playing important role:

5. The role of chance
6. The role of government

- **Porter Diamond Model can help analyze the competitive advantage of company have over its rivals.**

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Tomas Bata University in Zlín,
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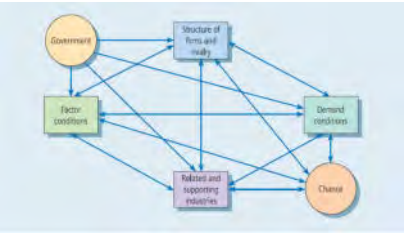


4.1. Analyzing competitiveness of multinational firm (9)

Firm specific & country-specific factors, and competitiveness (3)

- **Porter´s diamond framework (3), evaluation and criticism in applying the model to international business strategy:**

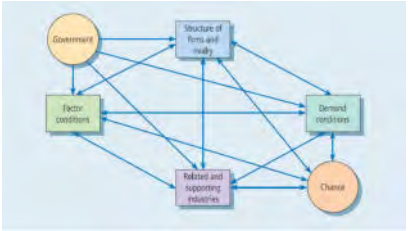
Criticism (1):

Model needs adjustments when applying on countries of the world having not the same economic strength as those studied by Porter

Porter´s model was initially constructed

- using aggregate data of export shares for industrialized 10 countries (namely Denmark, Italy, Japan, Singapore, South Korea, Sweden, Switzerland, the UK, the US, Germany).
- Analysing four sectors (German printing press, Italian ceramic title industry, Japanese robotics industry and the US patient monitoring equipment industry)

(Rugman and Collins, 2006)



4.1. Analyzing competitiveness of multinational firm (10)

Firm specific & country-specific factors, and competitiveness (3)

- **Porter´s diamond framework (3), evaluation and criticism in applying the model to international business strategy:**

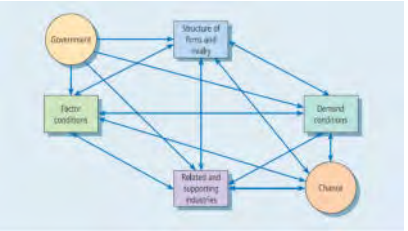
Criticism (2):

Chance is a critical influencing factor, but extremely difficult to predict (eg technological breakthroughs and rapid technological changes)

Criticism (3):

Porter´s model should be applied in company- specific terms, not in national advantages terms, while firms, not nations compete in international markets (Porters, 1998)

(Rugman and Collins, 2006)



4.1. Analyzing competitiveness of multinational firm (11)

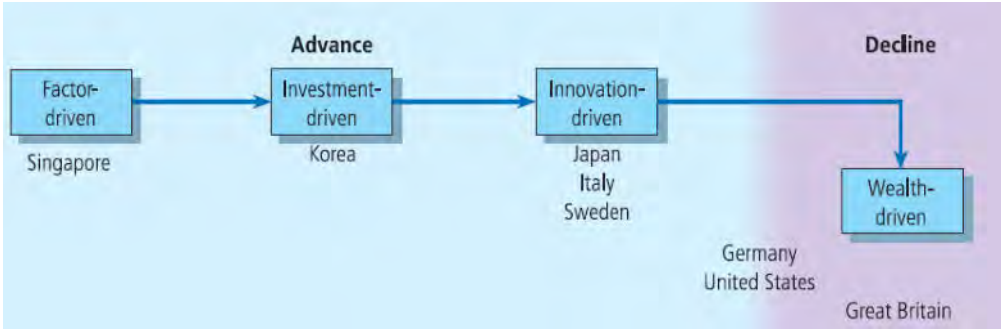
Firm specific & country-specific factors, and competitiveness (3)

- **Porter´s diamond framework (3), evaluation and criticism in applying the model to international business strategy:**

Criticism (4):

Porter delineates **four distinct stages of national competitive development** greatly influences the country's competitive response:

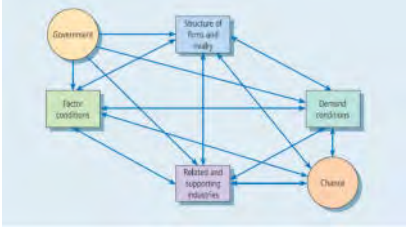
- factor-driven stage
- investment-driven stage
- innovation-driven stage
- and wealth-driven stage



Pointing country to stage is critical. Countries are moving in the stages

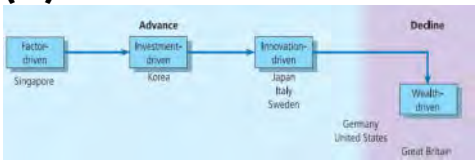
(Porter, 1998; Rugman and Collins, 2006)

Note. Example of countries Porter (1998) believed were in detected stage



4.1. Analyzing competitiveness of multinational firm (12)

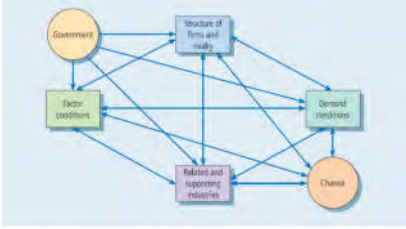
Firm specific & country-specific factors, and competitiveness (3)



- factor-driven stage
- successful industries relying on basic factors of production such as natural resources and the nation's large, inexpensive labor pool.
- although successful internationally, the industries compete primarily on price

- investment-driven stage
- companies invest in modern efficient facilities and technology
- work to improve these investments through modification and alteration.

(Porter, 1998; Rugman and Collins, 2006)



4.1. Analyzing competitiveness of multinational firm (13)

Firm specific & country-specific factors, and competitiveness (3)

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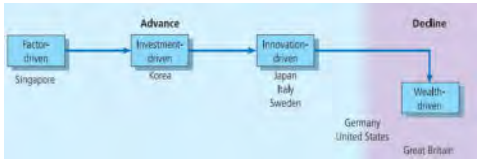
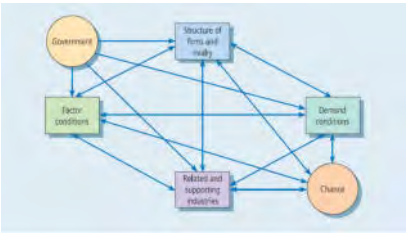


- innovation-driven stage
- firms work to create new technologies through internal innovation and using assistance from other industries

- wealth-driven stage
- firms begin loosing competitive advantage, ebbing rivalry ebbs, and declining the motivation to invest.

(Porter, 1998; Rugman and Collins, 2006)



4.1. Analyzing competitiveness of multinational firm (14)

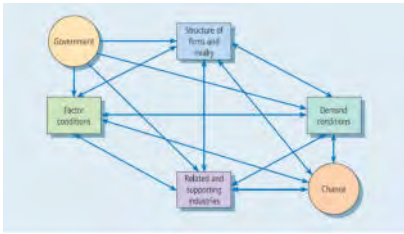
Firm specific & country-specific factors, and competitiveness (3)

- **Porter´s diamond framework (3), evaluation and criticism in applying the model to international business strategy:**

Criticism (5):

Porter´s (1998) states that only outward FDI is valuable for competitive advantage creation, and inbound foreign investment is never the solution to a nation's competitive problems. He adds that foreign subsidiaries are not sources of competitive advantage because domestic firms in many industries lack the capabilities to defend their market positions against foreign firms. However, several scholars are rejecting this.

(Rugman and Collins, 2006)



4.1. Analyzing competitiveness of multinational firm (15)

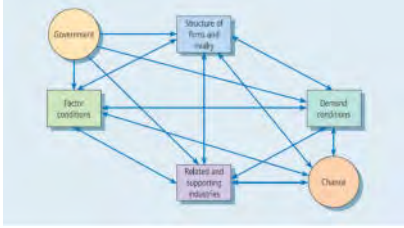
Firm specific & country-specific factors, and competitiveness (3)

- **Porter´s diamond framework (3), evaluation and criticism in applying the model to international business strategy:**

Criticism (6):

The factor driven- stage is viewed by Porter (1998) as insufficient. However based on Rugman and Collins (2006), e.g. Canada has successful megafirms turning country's comparative advantage in natural resources into proprietary firm-specific advantages in resource processing and further refining—sources of sustainable advantage.

(Rugman and Collins, 2006)



4.1. Analyzing competitiveness of multinational firm (16)

Firm specific & country-specific factors, and competitiveness (3)

- **Porter´s diamond framework (3), evaluation and criticism in applying the model to international business strategy:**

Other critics

-Porter model does not adequately address the role of MNEs

For example, Canada's large MNEs rely on sales in the U.S and other triad markets.

Itcould be argued the US diamond is more relevant for Canada's industrial MNEs than Canada's own diamond, since more than 70 per cent of Canadian MNE sales take place in the United States.

Conclusion: Different diamonds need to be constructed and analyzed for differentcountries.

(Rugman and Collins, 2006)

4.1. Analyzing competitiveness of multinational firm (17)

Firm specific & country-specific factors, and competitiveness (3)

Industry and Company Analysis

- **Porter five forces (Porter 5F) (1)**

The five competitive forces that shape strategy based on Porter 5F model:

1. Threat of new entrants
2. Substitutes
3. Bargaining power of buyers
4. Bargaining power of suppliers
5. Rivalry

(Porter Analysis, 2017)

Example of Porter 5F Source: own

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

4.1. Analyzing competitiveness of multinational firm (18)

Firm specific & country-specific factors, and competitiveness (3)

Porter five forces (Porter 5F) vs Porter´s diamond

- While Porter´s diamond details 4 factors influencing competitive environment of a nation or industry, another model developed by M. Porter, a Harvard Business School – Porter Five Foreces model determines 5 factors directly influencing a competitiveness of firm.

- Porter five forces can help a firm to evaluate industry in its the firm operates and the profit margins.

(Porter Analysis, 2017)

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4.1. Analyzing competitiveness of multinational firm (19)

Peer companies (1)

- **A peer group** is a group of companies engaged in similar business activities influenced by closely related factors.

Concrete steps how to detect a peer group (preliminary list of peer companies):

- Go through the classification system of industries to identify companies operating in one industry
- Review the subject company´s annual reports to identify comparables
- Review competitors' annual reports to identify other potential comparables
- Review industry trade publications to identify additional peer companies
- Confirm that each comparable or peer company derives a significant portion of its revenue and operating profit from a similar business activity as the subject company

(CFA Institute, 2020)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

4.1. Analyzing competitiveness of multinational firm (20)

Peer companies (2)

- **Why is needed to know a peer group?**

When investors or other shareholders are of interest of the company´s financial statements, benchmarking within a peer group, and industry analysis is essential to be able to obtain reasonable conclusions.

For example, to compare, whether:

- the company underperform,
- overperform or
- was in line with peer group that year.

(CFA program curriculum 2017)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

4.1. Analyzing competitiveness of multinational firm (21)

Concluding remarks to analysis of market structures (1)

Traditionally, market is classified into one of four structures by economists:

- **Perfect competition,**
- **Monopolistic competition**
- **Oligopoly**
- **Monopoly**

(CFA program curriculum 2018)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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4.1. Analyzing competitiveness of multinational firm (22)

Concluding remarks to analysis of market structures (2)

The importance of market structure

- The market can be limited by **geographic limitations**
- The way to provide goods and services to more customers and expands market worldwide is to **digitized** the service.
- Some markets can be highly **concentrated** (the majority of total sales come from as limited number of firms) *eg. 3 firms dominating the market*
- Some markets are very **fragmented** (operating many small independent shops, lacking large chains or even with no large chains)
- New products can support market concentration (for example, it was estimated that the Apple iPod had a world market share of 70 % in 2009).

(CFA program curriculum 2018)

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4.1. Analyzing competitiveness of multinational firm (23)

Concluding remarks to analysis of market structures (3)

Type of market structure – Perferct competition

- *Product differentiation:* a strictly **homogeneous product** (identical or similar to others, easily substituted)
- **no single producer is so large to be able to influence market prices** (no bargaining power)
- *Some commodity markets*

Perfectly competitive industries, however, do not have to necessarily be doomed to extinction by lack of profits.

On the other hand a lot of firms are under pressure from perfect competition.

(CFA program curriculum 2018)

4.1. Analyzing competitiveness of multinational firm (24)

Concluding remarks to analysis of market structures (4)

Type of market structure – Monopolistic competition

- notably **large number of firms (**competitive characteristic)
- the result of **product differentiation** (monopoly aspect), meaning the seller can convince consumer about product being uniquely different from another ones in order to obtain some degree of pricing power over the market.
- As an example *Coca Cola* can be mentioned, while it is believed it is different from other soft drinks. Similarly for *cosmetics* or *fashion* can be mentioned.

Monopolistic competition is a highly competitive industry, but considered as a form of imperfect competition

(CFA program curriculum 2018)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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4.1. Analyzing competitiveness of multinational firm (25)

Concluding remarks to analysis of market structures (4)

Type of market structure – Oligopoly

- is based on **relatively small number of firms** in the market consequently meaning each firm must consider **retaliatory strategies** that will be applied when other competitors will change production level or price
- For example pricing behavior of commercial airlines companies
- **If one company change pricing strategy, other companies tend to retaliate.**

Understanding of market structure of oligopoly can facilitate understanding and identifying a logical pattern of strategic price changes for competing firms

(CFA program curriculum 2018)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

4.1. Analyzing competitiveness of multinational firm (26)

Concluding remarks to analysis of market structures (5)

Five factors determining market structure (1)

1 The number and relative size of firms supplying the product;
2 The degree of product differentiation;
3 The power of the seller over pricing decisions;
4 The relative strength of the barriers to market entry and exit; and
5 The degree of non-price competition.

(CFA program curriculum 2018)

4.1. Analyzing competitiveness of multinational firm (27)

Concluding remarks to analysis of market structures (5)

Five factors determining market structure (2) – characteristics of market structure

Market Structure	Number of Sellers	Degree of Product Differentiation	Barriers to Entry	Pricing Power of Firm	Non-price Competition
Perfect competition	Many	Homogeneous/ Standardized	Very Low	None	None
Monopolistic competition	Many	Differentiated	Low	Some	Advertising and Product Differentiation
Oligopoly	Few	Homogeneous/ Standardized	High	Some or Considerable	Advertising and Product Differentiation
Monopoly	One	Unique Product	Very High	Considerable	Advertising

Five factors determining market structure Source: CFA program curriculum 2018

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

4.1. Analyzing competitiveness of multinational firm (28)

Concluding remarks to analysis of market structures (5)

Five factors determining market structure (3)

- With **fewer firms** supplying a good or service, **market choices of consumers are limited**
- The **degree of competition increases** with **increasing number of firms**

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4.2. Multinational firm: supply and demand analysis

Demand

In economics, demand, is the ability and willingness of consuming decision makers (consumers) to

- buy a given amount of a good or service (Q_x^d)
- at a given price (P_x).

Supply

While, supply, in economics, is the willingness of sellers

- to produce and offer a given quantity of services and goods (Q_x^s)
- for a given price (P_x).

(Piros and Pinto, 2013)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

4.2. Multinational firm: supply and demand analysis (1)

Capturing buyers´and sellers´behavior (1)

To explain how price P_x and traded quantity Q_x are determined, and how external forces affect these variables:

- the demand function and demand curve is used to model buyers´behavior
- the supply model (function) and supply curve, yielding from the theory of firm

(Piros and Pinto, 2013)

4.2. Multinational firm: supply and demand analysis (2)

The demand means the **quantity consumers are willing to buy depends on different various factors** (variables), such as for example

- good´s own price,
- consumers´ incomes,
- tastes and preferences,
- prices of substitutes/complements.

Law of demand

Generally, it is being believed decreasing price motivate consumers to buy more goods and services, and vice versa.

(Piros and Pinto, 2013)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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4.2. Multinational firm: supply and demand analysis (3)

Capturing buyers behavior (1)

Demand curve is capturing buyers´ behavior, showing

- the highest price P_x buyers are willing to pay for each quantity Q_x^d
- The largest quantity buyers are able and willing to buy at each price

For example we can model a specific demand function for a small town´s per-household gasoline consumption per week, using explanatory variables, such as

- price of gasoline per gallon,
- income in thousands USD per household annually,
- price of automobile in thousands USD

(Piros and Pinto, 2013)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

4.2. Multinational firm: supply and demand analysis (4)

Capturing buyers behavior (2)

The aforementioned variables are captured in a relationship called **demand function**, which is saying "*quantity demanded of good X depends on (is a function of) the price of good X, consumers' income, the price of good Y, and so on.*"

(Piros and Pinto, 2013a, p. 5)."

4.2. Multinational firm: supply and demand analysis (5)

Capturing buyers behavior (3)

Demand function: $Q_x^d = f(P_x, I, P_y \dots)$

, where the dependent variable:

y is the quantity of demanded goods/services

(for example demand per-household for gasoline in gallons per week)

,and independent variables $x_1 \dots x_n$

are the aforementioned considered factors

(for example $x_1 = P_x$ (the price per unit of good X), $x_2 = I$ (consumers´ income, e.g. in $1,000s per household annually), and $x_3 = P_y$ (is the price of another good Y).

(Piros and Pinto, 2013a)

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4.2. Multinational firm: supply and demand analysis (6)

Capturing buyers behavior (4)- analyzing demand

Task:

From the aforementioned example, we will use simple linear equation to approximate real-world demand for a small town´s per-household gasoline consumption per week, using explanatory variables such as

- **price of gasoline per gallon (P_x), (referred by economists as own-price referencing the price of a good itself and not the price of some other good)**
- **income in thousands USD per household annually (I),**
- **average price of automobile in thousands USD (P_y)**

4.2. Multinational firm: supply and demand analysis (7)

Capturing buyers behavior (4)- analyzing demand

Task (cont.):

Hypothetically let us consider, consequently, estimated simple linear model explaining the behavior of gasoline purchasing and consuming decision makers (gasoline purchasers and consumers in a small town) is as follows:

$$Q_x^d = 8.4 - 0.4P_x + 0.06I - 0.01P_y$$

Interpret the coefficients of the simple linear eqution approximating real world demand.

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4.2. Multinational firm: supply and demand analysis (8)

Capturing buyers behavior (4)- analyzing demand

Solution:

The negative coefficient of gasoline prices ($-0.4P_x$) is showing

- a negative (inverse) relationship between this variable and quantity of gasoline consumed (purchased, Q_x^d) by the household.
- This may indicate that if gasoline go up in price P_x, fewer will be purchased and driven, and therefore, that less gasoline will be consumed Q_x^d).

To be concrete, the per-household weekly consumption would decrease by 0.4 gallons for every dollar increase in gas price, as the price of gasoline rises.

(Piros and Pinto, 2013a)

4.2. Multinational firm: supply and demand analysis (9)

Capturing buyers behavior (4)- analyzing demand

Solution (cont.):

Similarly, the negative coefficient on average automobile price $(-0.01P_y)$

- is indication inverse relationship between the quantity of gasoline consumed and purchased (Q_x^d)
- and may, consequently, mean that if the automobiles go up in price, fewer will be purchased and driven and therefore, less gasoline will be consumed.

(Piros and Pinto, 2013a)

4.2. Multinational firm: supply and demand analysis (10)

Capturing buyers behavior (4)- analyzing demand

Solution (cont.):

The positive coefficient of consumer´s income ($+0.06I$) is,

- alternatively, showing a positive relationship between this variable and quantity of gasoline consumed (purchased, Q_x^d) by the household.
- This may mean that if per-household income goes up (I), more gasoline will be consumed (Q_x^d).

(Piros and Pinto, 2013a)

4.2. Multinational firm: supply and demand analysis (11)

Capturing sellers behavior

Supply curve is capturing sellers´ behavior, showing

- the lowest price P_x sellers are willing to accept for each quantity Q_x^S
- The largest quantity sellers are able and willing to offer at each price

(Piros and Pinto, 2013)

4.2. Multinational firm: supply and demand analysis (12)

The market is discovering in the same time (until supply or demand curve shifts)

- **the equilibrium quantity** if at a given quantity, the highest price buyers are willing to pay = the lowest price sellers are willing to accept

- **The equilibrium price** if the quantity buyers are able and willing to by at a given price = the quantity sellers are willing to offer at the same price

Price or quantity will vary from equilibrium value only when supply or demand curve shifts.

(Piros and Pinto, 2013)

4.2. Multinational firm: supply and demand analysis (13)

Analysing demand (demand analysis): the demand function, which is capturing buyer´s behavior

$$Q_x^d = f(P_x, I, P_y \dots)$$

, where

y is the quantity of demanded goods/services (for example demand per-household for gasoline in gallons per week)

$x_1 \dots x_n$ areconsidered factors (for example $x_1 = P_x$ (the price per unit of good X), $x_2 = I$ (consumers´ income, e.g. in $1,000s per household annually), and $x_3 = P_y$ (is the price of another good Y)).

Function can be read as: "*quantity demanded of good X depends on (is a function of) the price of good X, consumers' income, the price of good Y, and so on".*

(Piros and Pinto, 2013a, p. 5)."

The graphical equivalent of the demand function is the demand curve.

(Piros and Pinto, 2013)

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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5. Review questions

Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

5.1. Review questions (1)

1. What are the broadly discussed topics in the international finance and business environment- based books?

2. How differ financial management from international financial management?

3. What role plays multinational corporation in the process of globalization?

4. What does it mean financial market become integrated? Mention also real examples.

5.1. Review questions (2)

5. What is foreign exchange risk?

6. What are three main dimensions of international finance mentioned in the first chapter?

7. Can you explain and mention real examples of political risks?

8. Can you mention some examples of market imperfections?

5.1. Review questions (3)

9. What are economies of scale? Explain the term in relation to a so-called Expanded opportunity set.

10. What is the long-run goal of international financial management that is broadly accepted?

11. Can you mention some examples of shareholders?

12. Can you define globalization? Mention also real examples.

5.1. Review questions (4)

13. What are key trends and developments of the world economy?

14. What was the Glass-Steagall Act and how it is connected to globalization?

15. Can you mention some examples of financial innovations?

16. What is a so-called Big Bang related to deregulation?

5.1. Review questions (5)

17. Can you discuss emergence of euro as a global currency? How it relates to globalization?

18. What does tripolarism means?

19. What can you tell about Europe´s Sovereign Debt Crisis of 2010 and Greek´s debt relates to that?

20. What do contagion effects mean? How it relates to international integration?

5.1. Review questions (6)

21. Can you mention real examples of liberalizing international trade at global and regional level?

22. How can be international trade liberalized?

23. Can you discuss Brexit as an example of disintegration forces?

24. What does privatization mean? Can you mention some real cases?

5.1. Review questions (7)

25. What can you tell about Global Financial Crisis (GFC) of 2008-2009 and how it evolved?

26. How does a term connectivity refer to liberalization and integration? Discuss with real examples.

27. How does economic integration differ from financial integration?

28. What does mean transnationalization?

5.1. Review questions (8)

29. What is a MNC and what is its role in globalized world? Mention real examples of MNCs.

30. What are the reasons why firms become multinational companies? Mention also real examples.

31. Where the mentioned MNCs are headquarters and in which industry/sector do they operate?

32. What FDIs mean? Mention some real examples and use also case of China for FDI inflows.

5.1. Review questions (9)

33. What FDIs mean? Mention some real examples and use also case of China for FDI inflows.

34. What are the firm-specific factors, in relation to competitive advantage of organization?

35. What are the country-specific factors?

36. Why is industry analysis useful? How it relates to company analysis?

33. What is the Porter diamond framework? How does it differ from Porter´s five forces model?

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Important note:

The textbook VYCHYTILOVÁ, J. (2020) *The Role of Multinational Firm in the Globalized World in Real Applications.* This handbook created within the same project is explaining particular topics in this presentations and is highly recommended to use with this presentation for deeper understanding.

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Ing. Jana Vychytilová, Ph.D.
Tomas Bata University in Zlín,
Faculty of Management and Economics

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Financial Markets and banking

-

THE ROLE OF MULTINATIONAL FIRM IN THE GLOBALIZED WORLD IN REAL APPLICATIONS

Ing. Jana Vychytilová, Ph.D.

2020

Strategic Project of TBU in Zlín, reg. no. CZ.02.2.69/0.0/0.0/16_015/0002204

Authors:

Ing. Jana Vychytilová, Ph.D.

Tomas Bata University in Zlín,
Faculty of Management and Economics
Department of Finance and Accounting

vychytilova@utb.cz

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INTRODUCTION

International business and competition in the global market place is becoming increasingly popular, while the world economy is becoming increasingly globalized. International business differentiate from the conduct of domestic business as a consequence of various factors, such as governmental, intergovernmental, systemic, and cultural factors. These factors referred collectively as international business environment facilitate, and/or complicate the operations of enterprises engaged in the conduct of international business. (Warnock, 2016). Additionally, this field is related to international/global studies and frequently tied to global economic and international relations interconnecting politics, economics and law on a global level.

Various books (see e.g., Connolly, 2007; Levi, 2009; Suranovic, 2012; Hill, 2013; Jacque, 2014; Madura, 2015; Grath, 2016; Makin, 2016; Sloman & Garratt, 2016; Warnock, 2016; Bekaert & Hodrick, 2018; Eun & Resnick, 2018; Hancock, 2018; Hill et al., 2018; Krugman et. al. 2018) attempt to describe and explain a field of international business environment and finance from different angles of view.

Among the broadly discussed topics in the international finance and business environment-based books belong namely, **international economics and global approaches in financial economics** (Krugman et. al. 2018), **international business environments and operations** (Hill, 2013; Hill et. al., 2018), **international trade, global supply chain and finance** (Hallwood, 2000; Levi, 2009; Jacque, 2014; Grath, 2016; Zhao & Huchzermeier, 2018) , **international financial management** (Bekaert & Hodrick, 2018; Eun and Resnick, 2018; Madura, 2015), **financial markets and institutions** (Madura, 2014) fields, commonly surrounded with chapters dedicated to globalization, regional economic integration and national differences, international trade and foreign direct investment and foreign exchange market. Figure 1 summarizes the aforementioned topics

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The main goal of this handbook is to provide the participants of the summer school course in limited number of pages the general theoretical background, practical examples, easy to follow steps and even with an inspiration on a journey of understanding of **foundations of international financial management**, in particular it specifically examine the role of multinational firms in the globalized world, in real applications**.** According to Bekaert and Hodrick (2013) the field of international financial management addresses financial decisions facing corporate managers regarding trade and investment across national borders. This handbook is limited only to this area, while for learning other aspects of international business environment and finance (see Figure 1) is recommended to read aforementioned literature.

This handbook is structured as follows. It focuses on aspects of globalization and multinational firm and is heavily oriented on practical applications with lot of examples and cases.

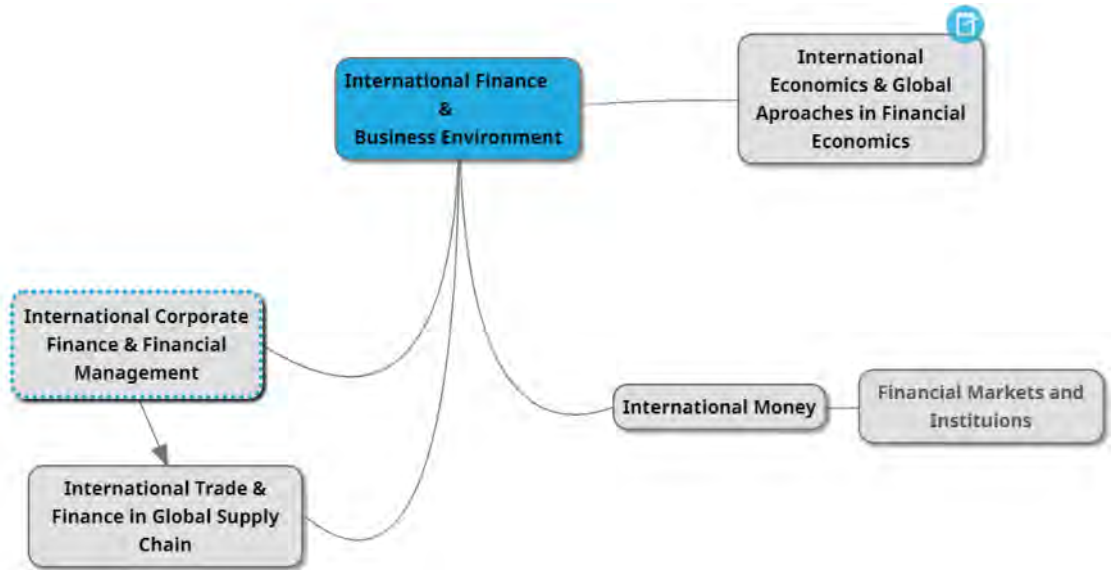

Image 1 – International Finance and Business Environment- related topics. Source: Own processing

Foreword

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In this book the main focus is dedicated to explanation of globalization phenomenon and the role of multinational enterprises in the globalized world. It provides an introduction to international financial management phenomenon and distinguishes domestic finance from international finance (Eun & Resnick, 2018).

Financial management is mainly concerned with **how to make various corporate financial decisions** optimally (such as those related to working capital management, dividend policy, financing, investment), in order to achieve given corporate objectives **in order to maximize shareholder wealth**. (Eun & Resnick, 2018)

While, we are living in a highly **globalized** and **integrated** world economy and due to continuously **liberalizing** international trade resulting to internationalizing goods and services production and consumption patterns around the world, **international financial management** is needed to be studied (see Example 1 below). Undoubtedly, major economic functions – production, consumption and investment are highly globalized in todays world (Eun & Resnick, 2018).

The core role in this process are playing **multinational corporations** (MNCs) having efforts to source inputs and locate production in such regions in the world, where profits are higher and costs are lower. Consequently, it is often difficult to clearly associate a product with a single country (Eun & Resnick, 2018). Eun and Resnick (2018) state that multinational corporations face various risks, while particulary should be aware of political risk when investing in foreign countries, especially in those without a tradition of the rule of law (see Example 4).

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Similarly, **financial markets** become **integrated** significantly **allowing investors diversifying their investment portfolios internationally, and stock companies to being cross listed** ie. their shares rendering internationally tradable and gaining access to foreign capital as well On the other hand, in integrated financial markets firms and individuals may also be to uncertain exchange rates seriously exposed. In other words, they are potentially **exposed to foreign exchange risk.** (Eun & Resnick, 2018).

Example 1- **Integrated financial market**

- in 2016 U.S. investors collectively invested $154 billion in foreign securities
- While $276 billion in U.S. securities were invested by foreign investors

(International Monetary Fund, 2016).

Example 2 - **Foreign exchange (FX) risk**

- Since the early 1970s fixed exchange rates were abandoned
- Currencies (for example U.S. dollar, British pound, Japanese yen, euro) has begun to fluctuate continuously in an unpredictable manner, since 1973.
- Changing exchange rates (exchange rate uncertainty) is commonly referred as **volatility**
- Exchange rates volatility has core influence on major economic functions (consumption, production and investment).

(International Monetary Fund, 2016).

The importance of studying international finance which are different from purely domestic finance almost non-existing today, in this course covered partly by part – foundations of

international financial management are consequently highly important Eun & Resnick, 2018).

Generally**, international finance** convers three major dimensions, namely based on Eun and Resnick (2018), largely stemming from the fact that sovereign nations have the right and power to impose taxes, formulate their economic policies, issue currencies and regulate movements of people, coods and capital across their borders:

- **Foreign exchange and political risk**
- **Market imperfections**
- **Expanded opportunity sets**

Example 3- **Foreign Exchange**

- Mexican peso depreciated drastically against the U.S. dollar in December 1994
- Mexico was, however, major export market for your U.S. company
- As a result your U.S. company´s products, following the peso´s fall, the peso price of American imports will rise.

(Eun & Resnick, 2018)

Example 4- **Political risk** (the difficulty of enforcing contracts in foreign countries)

- ~~Political risk is faced by firms and individuals as a result of international settings.~~
- Political risk ranges from expropriation of assets held by foreigners to unexpected changes in tax rules.
- Simply said political risk arises from a fact that parites can be affected by changing the “rules of the game” by sovereign country.

- The property rights of investors and shareholders are not universally respect.
- For example, in 1992 – Enron Development Corporation signed a contract to build India´s largest power plant. After Enron had spent approximately $300 million, the contract was cancelled by nationalist politicians in the Maharashtra saying India didn´t need the power plant, in 1995.

(Eun & Resnick, 2018)

Example 5- **Market imperfections**

- World economy is more integrated today than before 10 or 20 years ago, yet, movements of goods, services, people and capital across national boundaries is still limited by variety of barriers, making the world markets highly imperfect.
- **Example of barriers:**
  - Legal restrictions
  - Excessive transaction and transportation costs
  - Information asymmetry
  - Discriminatory taxation
- Market imperfections play important role whe MNCs are considering to locate production overseas.
- Financial market imperfections face also investors when diversifying portfolios

(Eun & Resnick, 2018)

Example 6- **Expanded opportunity set**

- By venturing firms into global markets an expanded opportunity set can be gained.
- It means firms can in order to maximize their performance and raise funds in capital market with the lowest cost, to locate production in any country or region and to

benefit from greater **economies of scale** (when their intangible and tangible assets are deployed on a global basis).

- The aim is to study how to maximize the benefits from the global opportunity set, taking controlling political risk, currency risk and various market imperfections into account.

According to Cambridge dictionary – **economies of scale** - means reducing costs resulting of making and selling goods in large quantities, for example ability to buy large amounts of materials at reduced prices on global market.

Selling on global market allow firms to achieve huge economies of scale.

(Eun & Resnick, 2018)

1 GOALS FOR INTERNATIONAL MANAGEMENT

Bekaert and Hodrick (2013) point out that the world economy is becoming more and more globalized. They explain that **the concept of globalization** refers to the **increasing connectivity and integration of countries and enterprises and the individuals within them** in terms of their **economic, political, and social activities**.

Example 7- **Real examples of globalization**

- University have students from various countries.
- The chips in your laptop computer may have come from Korea, and its software could have been developed by Indian engineers.
- We hope that during your study break, you savor some Italian espresso, although the "Italian" coffee beans that were roasted in Italy were likely grown in Indonesia or Brazil.

(Bekaert & Hodrick, 2014)

The term "globalization" is becoming highly popular describing business practices and management throughout the current century (Eun and Resnick, 2018).

Among several **key trends** and **developments of the world economy** belong, for example:

- **Emergence of globalized financial market**
- **Emergence of the euro as a global currency**
- **Europe´s sovereign debt crisis of 2010**
- **Continued trade liberalization and economic integration**
- **Large-scale privatization of state-owned enterprises**
- **The global financial crisis of 2008-2009** (Eun and Resnick, 2018)

Briefly, the aforementioned trends will be discussed with real examples. **Emergence of globalized financial market** can be dated as rapidly integrating international capital and financial markets in1980s and 1990s. It was a result of **deregulating** capital markets and foreign exchange by government of major countries, admitting as members foreign firms as full members of domestic stock exchanges and foreign exchange market. Consequently, London became the most open capital markets in the world and nowadays belong among major financial centers worldwide. (Eun and Resnick, 2018)**.**

Notingly, the United States repealed the **Glass-Steagall Act** restricting commercial banks from investment banking activities (for example underwriting securities) to promote **competition** among financial institutions. Furthermore, **corporations by listing their shares** abroad are supporting **integrating** the world financial markets (Eun and Resnick, 2018)**.**

In Europe, financial institutions are allowed to perform both commercial-banking and investment-banking functions. **Deregulated financial markets and promoted competition in financial services and advances in computer and telecommunications technology** (especially Internet-based information technologies sharply) is a vital background for **financial innovations** (for example financial derivatives, multicurrency bonds, international mutual funds, exchange-traded funds (ETFs), to mention at least a few) (Eun and Resnick, 2018)**.**

Example 8 – **Most celebrated deregulation called "Big Bang"**

- Occurred in London 27 Oct. 1986
- London Stock Exchange (LSE) eliminated fixed brokerage commissions
- Also regulation separating the order-taking function from market-making function was eliminated, and foreign commercial banks were eligible for membership on LSE

(Eun & Resnick, 2018)

The second trend mentioned related to globalization of today´s world economy – **emergence of the euro as a global currency**, is dated formerly to 1999 when the euro started, having ramifications for world economy. The **transaction domain of the euro** may become larger than that of the U.S dollar in the future (taking into account the size of euro zone based on population, economic output and world trade share) and become another global currency in international trade and finance, as per Eun and Resnick (2018). So far, 19 European countries has adopted euro, making circulating single currency widely in Europe, and new members of the EU (like Poland, Hungary or Czechia) may adopt the euro eventually (Eun and Resnick, 2018).

Example 9 – **Emergence of the euro as a global currency**

- Since the end of World War I. the dominant global currency, displacing the British pound, has played U.S. dollar and foreign exchange rates of currencies were quoted against the dollar. Similarly, internationally commodities such as coffee, wheat, gold, petroleum are traded using U.S. dollar determined as an invoice currency. Also, central banks of the world hold significant position of their external reserves in dollars. The U.S. dollar has many special privileges as a dominant global currency – ability to run trade deficits without having to hold much in foreign exchange reserves referred as "deficit without tears", or not facing exchange risks while a large portion of international transactions is made in dollars.
- Euro was launched On January 1, 1999, with eleven members and it instantly became the second most important currency in the world, potentially "*the most important event in the history of the international monetary system since dollar took over from sterling the role of dominant international currency*" (Mundell, 2000, p.1)
- Once a country adopts the common currency, it cannot have its own monetary policy
- The monetary policy for the euro zone is formulated by European Central Bank (ECB) located in Frankfurt, legally mandated to achieve price stability for the euro zone.

- The intellectual father of euro is widely referred professor Robert Mundell offering the euro is inevitably competing with the dollar area in terms of monetary policy and enlistment of other currencies
- Euro has precipitated the emergence of continentwide capital markets in Europe comparable to U.S. markets in depth and liquidity, allowing companies around the world to benefit from possibility, for example to raise capital more easily on favorable terms in Europe, European M&A activities, cross-border alliances among financial exchanges
- If the euro maintains its credibility, a bipolar international monetary system, the world faces

Additional notes

As per Mundell (2000) the mainstream of the world economy will be characterized by a tripolarism based on the dollar, euro and yen. The larger the political unit the larger the currency area, inevitably, one world currency would be ideal if managed properly, if the world were ruled by a single power or a world government today. "*In a freely floating world of paper currencies, the currency area with the largest transactions domain is, for a given inflation rate, the most stable*" (Mundell, 2000, p.285), and the best for small countries in order to protect domestic currencies from speculative attacks is to fix the currency to one of the AJE currencies (A=U.S., J=Japan, E=Euroland; representing 60 percent of world output in 2000). However, fixed exchange rates work only with inte "*Most of the small countries would be greatly benefitted by the existence of a stable world currency if one existed. In the absence of such a multilateral solution, countries can get the inflation rate of one of the three large currency areas either by using, or fixing its own currency to, that currency area. In both cases (in the absence of domestic credit operations) the balance of payments is kept in equilibrium automatically by the change in the money supply in proportion to changes in reserves. There are economies of scale associated with currency areas. The size of a monetary area determines its ability to absorb shocks.* (Mundel, 2000, p.285)."

(Eun & Resnick, 2018; Mundell, 2000)

The third trend mentioned related to globalization of today´s world economy – **Europe´s Sovereign Debt Crisis of 2010**. The sovereign debt crisis in Greece accounts for only 2.5 percent of euro zone GDP, however, quickly escalated to a Europe-wide debt crisis. This crisis revealed weakness of euro as the common currency, while Euro-zone countries share monetary policy (monetary integration) by adopting the euro, but not share fiscal policy governing taxation and borrowing and spending control of national governments (no fiscal integration). Addressing the disparity between monetary and fiscal integration for credibility and value of euro is, however, vital. (Eun and Resnick, 2018).

Example 10 – **Europe´s Sovereign Debt Crisis of 2010: Greek´s debt**

- Started in December 2009 revealing by Greek government (Greek joined Euro zone in 2001) its budget deficit for the your 12.7 % of GDP (not 3.7 % as forecasted and falsified by the previous government in national account data) resulting financial markets and investors become worrying about sovereign default and sell of Greek government bonds.

- However, Europe´s stability pact, of which Greece was part of, limits the annual budget deficit of a euro-zone country to a maximum of 3 % of GDP. While, Greece adopted euro, the traditional means of restoring competitiveness and price stability (ie by depreciation of national currency) could not have been used.

- The problems of Greece attributes to wages and prices rising faster than productivity and excessive borrowing and spending.

- Financial contagion is another term that can be used for panic spreading to other European economies (Ireland, Portugal, Spain) and consequently resulting in 2010 by downgrading the credit rating (especially government bonds) by world credit rating agencies,

making borrowing and refinancing more costly. *"The Greek government bond was downgraded to "junk", ineligible for institutional investment."* (Eun & Resnick, 2018, p. 12)

- Greek interest rate began to rise sharply on May 7, 2010 and also chaotic sovereign defaults led to a sharp fall of the euro´s exchange value in currency markets.

- First EU-IMF Bailout for Greece: To avoid default of Greece, IMF and EU agreed to provide Greece with 110 bln euros in loans over three years, where Germany provided the largest sum (80 bln euro), for cuts and tax increases (30 bln euro) in return.

- The European Central Bank (ECB) launched Securities Market Program allowing it to purchase government bonds of struggling sovereigns, like Greece, on the secondary market in order to prevent further sovereign debt contagion throughout the eurozone and to boost market confidence. Furthermore, ECB ministers also agreed on rescue measures worth 750 billion euros for struggling eurozone economies, in 2010
- Second EU-IMF bailout for Greece (largest debt restructuring) in 2012, worth 130 bln euros, 53.5 percent debt write-down for private Greek bondholders, for reducing debt-to-GDP ratio from 160 percent to 120.5 percent by 2020 in return.

- In 2014 Greece is returning to international bond market by issuing Eurobonds after 4 years, raising 3 bln euros in 5-year bonds, with initial yield of under 5 percent signaling a low rate as a return to economic normalcy. The market showed investors renewed confidence, while offer raised to 1 bln euros, more than was expected.

- In 2015 ECB announced 1.1 trillion euro (inter alia 60 bln euro to purchase financial assets including government bonds, each month, excluding Greek bonds considered as not eligible yet under ECB rules) Quantitative Easing program (QE) as a result of economic stagnation and deflation in Euro zone, to spur inflation and growth.

- In 2015 Greek eurozone exit was only narrowly averted and opens the way to a possible third bailout program worth up to 86 billion euros from EU since 2010 to be distributed through 2018, in exchange for implementing tax reforms, cut public spending, privatize state assets, and reform labor laws, among other measures, as required by European creditors. IMF refuses to contribute additional funds until the creditors provide Greece a sort of significant debt relief and warn that the country's debt is unsustainable and that budget cuts EU creditors demand of Athens will hamper Greece's ability to grow.

- In 2018 Greek exits final (third) bailout program from 2015 and in total Greece owes the EU and IMF 290 bln euros representing a public debt 180 percent of GDP, that is going to be financed by commitment of running budget surplus through 2060, accepting EU financial supervision and additional austerity measures.

- Recently in 2018 EU officials are pointing to Greece's return to growth and falling unemployment (however at 20 percent, it remains the EU's highest), while The IMF, however, maintains that the Greek economy, which has shrunk by 25 percent since the beginning of the crisis, will likely require further debt relief.

(Eun & Resnick, 2018; Council on Foreign Relations, 2019)

Related to impact of Greek financial problems and prior credit crisis 2008, Madura (2015) highlights the term "**contagion effects**" that is connected to **international integration** of credit markets. Simply said, the **problems that happened in one country are, however,**

not limited to that country, but are spreading to and weakening other countries (eg. In Greek case, impacting European countries, restricting economic growth).

Madura (2015) furthermore points out that Greek crisis forced creditors recognizing government debt is not always without risk (risk free), making investors to carefully recognizing the credit risk of countries with huge budget deficits (such as Portugal, Spain and Italy) and letting them know governments of aforementioned countries had to pay a higher risk premium to compensate for their credit risk, which increased their cost of borrowing funds.

The fourth trend mentioned related to globalization of today´s world economy – **Trade liberalization and economic integration**. The sovereign debt crisis in Greece accounts for only 2.5 percent of euro zone GDP, however, quickly escalated to a Europe-wide debt crisis. This crisis revealed weakness of euro as the common currency, while Euro-zone countries share monetary policy (monetary integration) by adopting the euro, but not share fiscal policy governing taxation and borrowing and spending control of national governments (no fiscal integration). Addressing the disparity between monetary and fiscal integration for credibility and value of euro is, however, vital. (Eun and Resnick, 2018).

According to trade liberalization, the vital argument to be involved in **international trade** stems from the theory of **comparative advantage** (**David Ricardo**, 1817) that is saying international trade is mutually beneficial for countries if they trade and specialize in the production of goods they can produce most efficiently, allowing to countries consume more goods, consequently leading to enhance the welfare of the world´s citizens (David Ricardo, 1817).

This theory implying “all players become winners who participate in international trade” (Eun and Resnick, 2018, p. 14) is also against prior theory of mercantilists who believed

international trade is "zero-sum" game in which only one country from both can benefit. The theory of comparative advantage has of course some shortcomings, but still is used as a powerful intellectual rationale for promoting free trade (liberalization of international trade) among nations (Eun and Resnick, 2018).

International trade has increased nearly three times as fast as world GDP between 1950 and 2014 (from 7 percent to 26.2 percent), however, international trade increased for some countries much faster. (Eun and Resnick, 2018).

Example 11- **International trade – country comparison**

- International trade of Germany rose from 6.2 percent to 51.1 percent (over the same period)
- International trade of Korea grew from 1 percent to 51.5 percent (over the same period)
- Some countries have relatively low export-to-GDP ratios (for example Argentina, Brazil, Mexico), having protectionist economic policies, however, nowadays increasingly pursuing free-market and open economy (export-to-GDP ratio was in case of Argentina 11 percent, Brazil 10.8 percent and for Mexico 32 percent.

(Eun and Resnick, 2018)

Currently the international trade is becoming further liberalized, at global level can be mentioned

- **General Agreement Tariffs and Trade (GATT)**
- **World Trade Organization (WTO)**
- **European Union (EU)**
- **North American Free Trade Agreement (NAFTA)**

Example 12- **Liberalizing international trade at global level: GATT**

- Multilateral agreement among member of countries playing a key role in dismantling barriers (eg. by eliminating and reducing tariffs, quotas, subsidies and other barriers to trade) to international trade, founded in 1947
- In 1986 happened a so-called the Uruguay Round aiming to:
    - Reduce import tariffs worldwide by 38 percent, in average
    - Extend the rules of world trade to cover agriculture, services such as insurance and banking, and intellectual property rights
    - Increase proportion of duty-free products to 44 percent from 20 percent in industrialized countries
    - Create a permanent World Trade Organization (WTO) to replace GATT.

(Eun and Resnick, 2018)

Example 13- **Liberalizing international trade at global level: WTO, case of developing countries**

- World trade organization is more powerful to enforce rules of international trade than GATT
- China, the second largest economy to the United states, joined WTO in 2001 and its membership will further legitimize free trade idea (latest discussions of round at Doha Round in Qatar in 2001 are still continuing, aiming to:
    - Lower trade barriers around the world
    - Promote free trade between developed (negotiations led by United States, European Union and Japan) and developing countries (led by China, Brazil and

India “BRIC”, where R stands for Russia), however, the disagreements are over opening up industrial and agricultural markets

- China since late 1970s
  - is implementing market-oriented economic reforms
  - and burgeoning international trade and foreign direct investments (FDIs) has been driven impressive China´s economic growth (since 1970s rapidly growing by 10 percent per annum) lifting ten millions of citizens from poverty
  - also demand of China for natural resources, technologies and capital goods is boosting exports to China from world
- Also India, the third largest economy in the world, is attracting foreign investment through opening its economy and implementing its own market-oriented reforms since the early 1990s and encouraging private entrepreneurship. Furthermore, India has emerged as the most important center for IT services outsourcing, R&D functions and back-office support
- China and India (second and third largest economy based on purchasing power) are likely to row altering the pattern of international production, trade and investment.

(Eun and Resnick, 2018)

Example 14- **Liberalizing international trade at regional level: The European Union (EU)**

- A prime example of formal arrangements among countries to promote economic integration on the regional level is the European Union (EU).
- Is an example of liberalization on regional level (monetary and economic union, free trade)

- It evolved from European Economic Community (EEC) which was established to foster economic integration among Western Europe countries
- Currently EU consist of 28 member states,
- This countries have eliminated barriers to the free float of people, capital and goods
- This regional arrangements among countries is strengthening economic position relative to United States, China and Japan
- In 1999, eleven members of EU successfully adopted a single common currency, euro
- Since 2001 another 6 countries adopted the euro (Greece, Cyprus, Estonia, Malta, Slovenia and Slovakia) and merger and acquisition (M&A) deals in Europe have become comparable to U.S. deals

(Eun and Resnick, 2018)

Example 15- **Liberalizing international trade at regional level: North American Free Trade Agreement**

- In 1994 Canada, the United States and Mexico formed NAFTA
- While U.S.´s largest trading partner is Canada and the third largest is Mexico
- The main aim is free trade (eliminating tariffs and import quotas among members) to foster increased trade among members, consequently to increase number of jobs and standard of living in member countries.
- In NAFTA case the tariffs were called for phasing out over a 15-year period
- For example, ratio of export-to-GDP boosted from 2.2 percent in 1973 to 32 percent in 2014, in Mexico, attributable to NAFTA

(Eun and Resnick, 2018)

Example 16- **Disintegration forces: Brexit**

- On June 23 2016 British referendum voted for unexpected outcome concerning voluntarily leaving EU called "Brexit"
- Historically, Britain is a country that championed free trade and liberal capitalism, and London´s position as the dominant financial European centre, therefore calling for Brexit meaning disintegration of the EU seems unexpected, threatening globalization process that has taken place for the last 60 years
- Brexit may weaken European Union and also United Kingdom politically and economically

- All 60 percent of Londoners voted for remaining in the EU, but only 45 percent of voters from the other parts of London voted for staying in EU (one of the reason can be voters outside London felt alienated from the globalized economy, concerning about competition for jobs from immigrants)

- Concrete threats resulting from Brexit:
    - Difficulties associated with free trade
    - Difficulties associated with global economic integration (free movements of goods, capital and people)

(Eun and Resnick, 2018)

Eun and Resnick (2018, p. 16) warns "*if protectionism wins over free trade as happened in the 1930s, everybody may end up becoming losers.* Simply said, limiting liberalized international trade worldwide in favor protectionism can result into loosing benefits from free (liberalized) trade and economic integration for countries, worldwide.

Example 17- **Liberalizing international trade: Privatization**

- Privatization speeded up the economic integration (which begun in 1980s) in the 1990s, while the collapse of communism in the Eastern Block countries quickly accelerated the process
- The sale of state-owned business brings to the national treasury hard-currency foreign reserves, being believed widely to be the vital benefit of privatization for many less-developed countries, enabling them to pay down sovereign debt

- **Privatization as a denationalization process simply means that a country divests itself of ownership turning the state-operated business (state ownership also called as state run business) to the free market system (capitalism)** brining new owners also from abroad, importing also before non-existing cultural influence
- Often, privatization is seen as a cure for bureaucratic inefficiency and waste improving efficiency and reducing operation costs by as much as 20 percent
- Term **SOEs** means state-owned enterprises and is commonly used
- Several cases show privatization is connected to globalization, by opening economy to foreign capital, achieving fiscal stability in return and competitive market environment. However, foreign owners (foreign investors/cross-border investments) control the domestic companies changing for example worker´s rights.
- Case 1 – The Czech Republic (Czechia): "Czech-style voucher privatization system 1991-1995"
    - The main factor was speed
    - Czech government gave business to the Czech citizens
    - For a nominal fee, vouchers were sold allowing to Czech citizens (investors) to buy a peace of businesses in auction block (from 1991 to 1995 more than 1 700 companies were turned to private hands and become newly privatized firms) and more than three-quarters of the Czech citizens became stockholders.

- Case 2 – Russia – voucher privatization system
    - More than 80 percent of the country´s nonfarm workers work now in private sector and shift to private ownership is highly visible also in other sectors
    - Via a Czech-style voucher system, 40 million Russians became stockholders of more than 15 thousands large and medium companies (previously state-owned companies) through mass auctions.

- Case 3 – China – stock markets played a vital role in privatization
    - While in China, privatization has been realized by listing SOEs on the organized exchanges eligible for private ownership (in early 1980s two stock exchanges were launched in China – Shenzhen Stock Exchange and Shanghai Stock Exchange, opening market of China to the world and market-oriented reforms, while nowadays Chinese stock markets are becoming largest in Asia in terms of capitalization by listing more than 2 000 companies)
    - What are the main advantages of stock markets for China?
        - Raising new capital for business investments and ventures
        - Propagating corporate ownership of Chinese firms (mainly by investing in so-called B-shares listed on Shanghai or Shenzen stock exchanges; and H-shares listed on Hong Kong Stock Exchange or on other international exchanges)
    - Chinese government, however, still retains the majority stakes in most public firms

(Eun and Resnick, 2018)

Example 18- Liberalizing international trade: **Global Financial Crisis of 2008-2009**

- Introduction to subprime crisis and GFC

- **Subprime mortgage** is a financial instrument with usually adjustable-rate being refinanced frequently, intended to facilitate modest and low income households to buy a house.
- Banks that are allowed to offer mortgages are raising funds by **securitization n of subprime loans**
- **Securitization** of the loan means, simply, that once subprime mortgage loan originated, it is **pooled and packed into a so-called mortgage-backed securities (MBS)** and, furthermore, it is **sold to institutional investors worldwide.**
- **Securitization was safe in the period when the prices of houses were rising** (1996-2005),
- However, once U.S. **interest rates become rising** in early 2004 as a result of *tightening monetary policy* of the Federal Reserve (FED, U.S. central bank), **house prices began to decline** in 2006.
- Rationally, **subprime borrowers** (low and modest income households) started to struggling with payments and **started to default**, spreading risk among investors having significant consequences to **eroding the bank capital base in U.S. and abroad.**

- In **2007** began the subprime mortgage crisis in U.S. The **subprime crisis:**
  - led to severe credit crunch, consequently letting households, firms and bank making borrowing and refinancing difficult
  - escalated to global financial crisis (GFC) 2008-2009
- The **GFC** commonly dated as **2008-2009**:
  - Started 14 September 2008 when iconic Lehman Brothers (the major U.S. investment bank with a global presence) went bankrupt letting the world know that prior valid phrase too-big-to fail does not is valid anymore, taking off confidence inf financial markets and institutions worldwide

- Consequently U.S. stock market index Dow Jones Industrial Average (DJIA) fell from peak 14 164 (Oct 9 2007) to a through of 7 062 (Feb 27, 2009) resulting 50 percent decline
- U.S. unemployment rate rose from 4.4 percent (May 2007) to 10.1 percent (Oct 2009)
- International trade has been reducing rapidly at the same time
- It impacted advanced economies (such as U.S., Japan, European union), but also even less severely emerging economies (such as Brazil, China and Russia)
- GFC is commonly referred also as "**Great Recession**" while it is considered as the biggest economic synchronized downturn since Great Depression.

(Eun and Resnick, 2018)

Liberalization and integration is also connected with a term connectivity. According to World Bank (2013) **connectivity** refers to a country's ability to effectively connect to others within a particular network. The concept of connectivity is thus key in the context of global and regional value chains.

Example 19- Global connectivity and export performance – case of air services market

- The World Bank has developed a novel method for measuring countries' connectivity in global networks and has applied it to the global air transport network.
- Well-connected countries that are strongly connected to other well-connected countries are considered "hubs" in this definition.
- Less well-connected countries are "spokes."

- The Air Connectivity Index (ACI) shows that connectivity is highly concentrated in North America and Europe ("hubs"); most developing countries are relatively poorly connected ("spokes").
- Developing countries looking to increase their participation in global value chains need to improve their connectivity as part of their overall competitiveness strategy, including the progressive liberalization of their air transport sectors.

- Conclusion and policy implications:
    - Connectivity is an important determinant of competitiveness in a networked world. Improved connectivity can substantially reduce the transaction costs associated with exporting and importing, and thereby improve a country's ability to take full advantage of the benefits offered by global and regional value chains.
    - policy makers need to be concerned with two primary factors when it comes to connectivity: (i) building stronger links with global and regional hubs and (ii) increasing the number and quality of connections with a wide range of countries to improve their place in the global network
    - The important role in improving connectivity plays liberalization of air services markets.

(World Bank, 2013)

The degree of **liberalization** of market is important factor when examining how do countries become better connected in the global network. (World Bank, 2013).

Operating and managing financial risks in an **integrated** world economy is very different from managing risk in a world where governments fully assert their sovereignty, hamper international trade, and limit international capital flows. (Bekaert and Hodrick, 2013).

The term **integration** is widely used in relation to process within which emerging economies are integrated into the global economy. Broadly the effects of **trade liberalization**

(**economic integration**) and **capital market liberalization** (**financial integration**) as well as effects of globalization and foreign direct investment (FDI) on economic welfare are of interest of academic literature. (Bekaert and Hodrick, 2013).

Globalization vs. transnatialization

The process of the growing concentration and monopolization of economic resources by transnational corporations and by global financial firms and funds is considered a major feature of globalization and has been termed transnationalization. (Sahoo, 2013).

It simply means that fewer and fewer transnational corporations are gaining a large and rapidly increasing proportion of world's economic resources, production, and market share. (Sahoo, 2013).

3 MULTINATIONAL FIRM AND ITS ROLE IN THE GLOBALIZED WORLD

Multinational corporations operate on a global scale, with satellite offices and branches in numerous location. Bekaert and Hodrick (2013, p. 11) define **multinational corporation (MNC)** simply **as "a company engaged in producing and selling goods in more than one country".** multinational corporations dominate the corporate landscape as a consequence of globalization.

Eun and Resnick (2018, p. 19) broaden the aforementioned definition of Bekaert and Hodrick (2013) and add that MNC is a "*business firm incorporated in one country that has production and sales operations in many countries*", pointing out insights MNCs is able to obtain financing for their (global) operations from various financial centers around the world in different currencies, forcing their treasurer´s offices to establish banking relationships and to place short-term funds in several currency denominations and to effectively mange foreign exchange risk. They (2018, p. 19), further, more point out that "*foreign direct investment by MNCs is a major force driving globalization of the world economy*" stemming out their importance.

Example 20- Multinational companies – **FDI inflows by region**

- FDI inflows by region (2016-2017) in billions of dollars and percent in 2017 (United Nations, 2018):
  - Total world: 1 430 bln USD
  - Developed economies: 712 bln USD
  - Developing economies: 671 bln USD
  - Transition economies: 47 bln USD
  - Asia: 476 bln USD
  - North America: 300 bln USD
  - European Union: 304 bln USD
  - Latin America and Caribbean: 151 bln USD

- Africa 42 bln USD

Few factors that are likely to be contributing to to FDI flows increase:

- Surge in cross-border mergers and acquisitions (M&As),
- and corporate reconfigurations (i.e. changes in legal or ownership structures) "legal megadeals"

Some examples of FDI reductions:

- E.g. A significant reduction resulted in a decline of 40 per cent in flows in the United States (from $466 billion in 2015 and $457 billion in 2016 to $275 billion in 2017)
- Similarly, the absence of the large megadeals that caused the anomalous peak in 2016 in FDI inflows in the United Kingdom caused a sharp fall of FDI in the country, to only $15 billion
- Global flows of foreign direct investment fell by 23 percent in 2017

(United Nations, 2018)

The following example consists of data related to Chinese economy in terms of FDI inflow in the period between 2001 and 2012 (the latest available). The significant 22 percent decrease between 2017 and 2016 was in stark contrast to the accelerated growth in GDP and trade. Furthermore, the value of announced greenfield investment – an indicator of future trends – also decreased by 14 per cent (United Nations, 2018).

For real FDIs cases of China and United States study Appendix I.

Example 21- **Multinational companies – real examples as of December 2019**

- Coca-Cola Company, which operates in more than 200 countries.
- The Volkswagen Group operates 122 production plants in 20 European countries and a further 11 countries in the Americas, Asia and Africa. The Group sells vehicles in 153 countries.

- The Walt Disney Company EMEA (Europe, Middle East & Africa) operates in 30 countries
- Procter & Gamble (P&G) has operations in about 80 countries. P&G's well-known, trusted brands touch the lives of consumers in more than 180 countries.
- Apple Inc. was operating 506 retail stores in 25 different countries around the world
- Sberbank network is made up of subsidiaries, branches and representative offices in 21 countries, including Russia, CIS , the UK, US, and Central and Eastern Europe.
- Walmart operates over 11,200 stores under 55 banners in 27 countries and eCommerce websites in 10 countries.
- Royal Dutch Shell has operations in over 70 countries
- ExxonMobil, the world's largest oil and gas company, has a presence in over 200 countries around the world.
- Amazon's presence now spans 58 countries. Amazon belong to one of the leading world e-commerce.
- Alibaba operates in 15 countries.
- Ebay operates in 13 countries.

Data were sourced from annual fillings of companies as of 2018.

Additional task for students

1. Find out where the mentioned multinational corporations´ (MNC) headquarters is located
2. Add industry/sector in which afore mentioned MNCs operates
3. Search for more examples of MNCs worldwide.

Why firms become international companies

Companies become multinational enterprises (MNEs) by setting up operations in other countries for a number of reasons. The following five reasons belong according to Rugman and Collins (2006) among the crucial ones:

EUROPEAN UNION
European Structural and Investment Funds
Operational Programme Research,
Development and Education

MINISTRY OF EDUCATION, YOUTH AND SPORTS

1. **International diversification against the risks and uncertainties of the domestic business cycle.**

Example 22- **Multinational companies – international diversification to reduce impact of domestic business cycle**

- This form of international diversification has been widely used e.g., by Japanese MNEs, which have found that, while their domestic economy has been in an economic slump since the 1990s, their US operations have done quite well.

(Rugman & Collins, 2006)

2. **Tapping the growing world market for goods and services.**

Example 23- **Multinational companies – tap the growing world market for goods and services**

- Rugman and Collins (2006) explains that many multinational enterprises (MNEs) have targeted the United States because of its large population desiring for new goods and services and high per capita income (per capita GDP) meaning having money to buy them, simply said because of the demand side. They point out MNEs are also targeting China, while despite per capita gross domestic product not very high, the country's large population and growing economy make it very attractive to MNEs.

3. **Responding to increased foreign competition and a desire to protect their home market share.**

Example 24- **Multinational companies – "follow the competitor" strategy as a response to increased foreign competition and a desire to protect MNE´s domestic market share**

- Multinational enterprises MNEs set up operations among their major competitor´s home countries in order to offer customers other choices taking away business from

their competitors, and to send a signal to competitors, if they attack the MNE's home market, they will face a similar response.

- This approach refers to follow the competitor strategy also known as strategy of staking out global market shares.
  (Rugman and Collins, 2006).

4. **Reduction of costs by setting up operations close to the foreign customer**

Example 25- **Multinational companies – reducing costs**

- Firms can eliminate transportation expenses by setting up operations closer to the foreign customer, and to eliminate intermediaries handle the product. Also, they are able to respond more accurately and rapidly to customer needs, and take advantage of local resources.
- This process, is referred as internalization of control within the MNE facilitating a reduction of overall costs. (Rugman and Collins, 2006).

5. **Overcoming protective devices such as tariffs and non-tariffs barriers by serving a foreign market from within.**

Example 26- **Multinational companies – overcoming tariffs and non-tariffs barriers by serving foreign market from within**

- Rugman and Collins (2006) point out that the EU provides an excellent example, while firms outside the EU are subject to tariffs on goods exported to EU countries. Compared to firms producing the goods within the EU can transport to any other country in the EU without paying tariffs.
- Similarly, in North America the North American Free Trade Agreement (NAFTA) has eliminated tariffs among Canada, the United States, and Mexico.

(Rugman and Collins, 2006).

6. **Taking advantage of technological expertise by manufacturing goods directly (by FDI) rather than allowing others to do it under a license.**

Example 27- **Multinational companies – manufacturing goods directly by FDI to take advantage of technological expertise**

- MNEs tent to not to give another firm access to proprietary information such as patents, trademarks, or technological expertise. Meanwhile they tent to reclaim their exclusive rights and then to manufacture and directly sell the products in overseas markets.

(Rugman and Collins, 2006).

Firm- and country-specific factors, and competitiveness

Various **firm-specific (FSAs)** and **country-specific (CSAs) factors/advantages frame the nature of multinational companies and are commonly used in modelling** (Rugman and Collins, 2006).

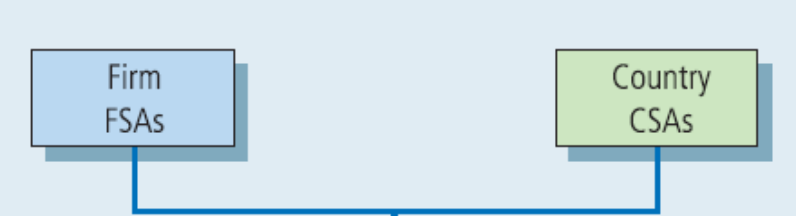

Image 2 FSAs & CSAs. Source: Rugman and Collins (2006)

For capturing country-specific factors/advantages of MNCs is commonly considered **Porter country diamond framework** as a useful tool (Rugman and Collins, 2006), which is similarly as **Porter´s Five Forces model** one of useful tool for **industry and firm analysis.**

Industry analysis is a vital complement to **company analysis**, while the analyst needs to understand the context in which a company operates to fully understand the **opportunities and threats that a company faces** (CFA Institute, 2020).

Understanding the industry in which a company operates provides an essential framework for the analysis of the individual company (company analysis). **Industry analysis is useful for:**

- **Understanding a company's business and business environment;**
- **Identifying active equity investment opportunities;**
- **Formulating an industry or sector rotation strategy; and**
- **Portfolio performance attribution**

Firm specific advantages (FSAs)

FSAs are defined as a **unique capability of organization** determining the competitive advantage of organization. In particular, this means **strengths or advantages specific to a firm** as a result of contributions that can be made by its:

- **Personnel,**
- **Marketing,**
- **Product process technology, or**
- **Equipment,**
- **Distributional skills**

(Rugman and Collins, 2006).

Country specific advantages (CSAs)

- **Country-specific advantages (CSAs), or simply "country factors", also referred as "natural factor endowments of a nation" cover benefits or strengths specific to country resulting from:**

- **Labor force and associated cultural factors,**
- **Geographic location and natural source endowments (mineral, energy, forests),**
- **Government policies,**
- **Industrial cluster, and**
- **Its competitive environment**

(Rugman and Collins, 2006)

3.3.3 Porter´s diamond framework as a competitive advantage matrix

MNEs managers build strategies using interactions of country and firm specific advantages (CSAs-FSAs) to position a firm into a unique space (Rugman and Collins, 2006). The competitive advantage matrix is used as a helpful tool to identify the relative strength and weaknesses of the CSAs and FSAs of MNEs.

Porter Diamond Model can help analyze the competitive advantage of company have over its rivals.

4 specific factors shaping the competitive environment of industry:

1. **Factor conditions**
2. **Demand conditions**
3. **Related and supporting industries**
4. **Firm strategy, structure and rivalry**

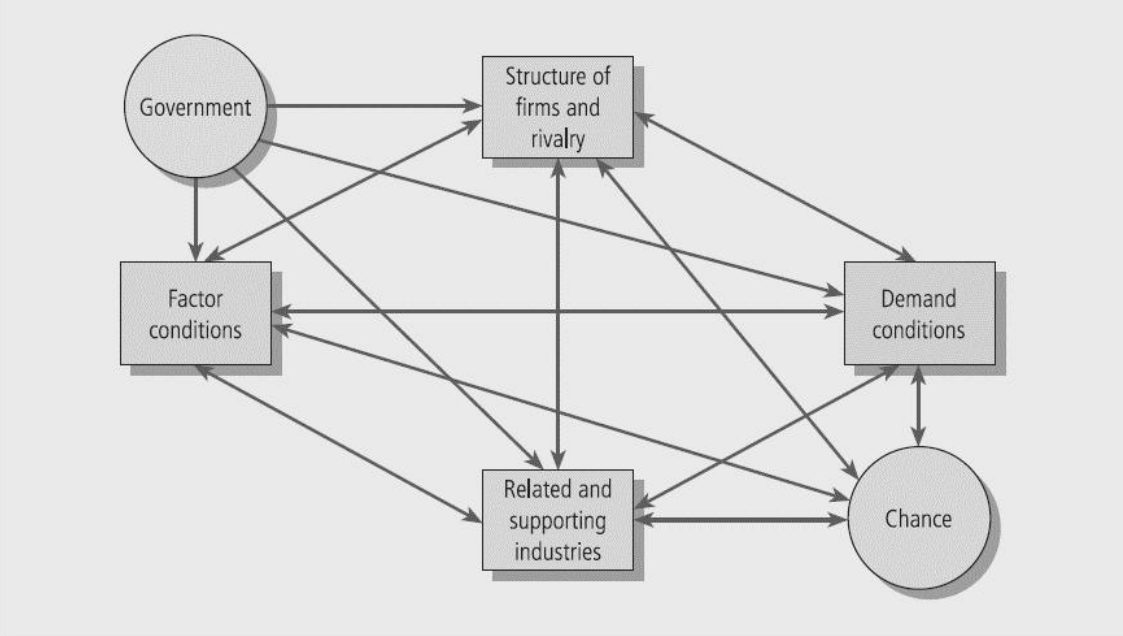

Image 3 Porter´s single diamond framework (Source: Rugman and Collins, 2006, adapted with permission of Porter, 1990)

Additional two variables (factors) playing important role in the Porter´s diamond framework:

1. **5. The role of chance**
2. **6. The role of government**

Criticism of Porter´s diamond framework

Rugman and Collins (2006) point out, however, several points of criticism to Porter Diamond Model, for example:

- Model needs adjustments when applying on countries of the world having not the same economic strength as those studied by Porter:
- Porter´s model was initially constructed using aggregate data of export shares for industrialized 10 countries (namely Denmark, Italy, Japan, Singapore, South Korea, Sweden, Switzerland, the UK, the US, Germany), analysing four sectors (German

printing press, Italian ceramic title industry, Japanese robotics industry and the US patient monitoring equipment industry)

- Chance is a critical influencing factor, but extremely difficult to predict (eg technological breakthroughs and rapid technological changes)
- Porter´s model should be applied in company- specific terms, not in national advantages terms, while firms, not nations compete in international markets (Porters, 1998)
- Porter delineates **four distinct stages of national competitive development** greatly influences the country's competitive response (pointing country to stages critical, but countries are moving in the stages)

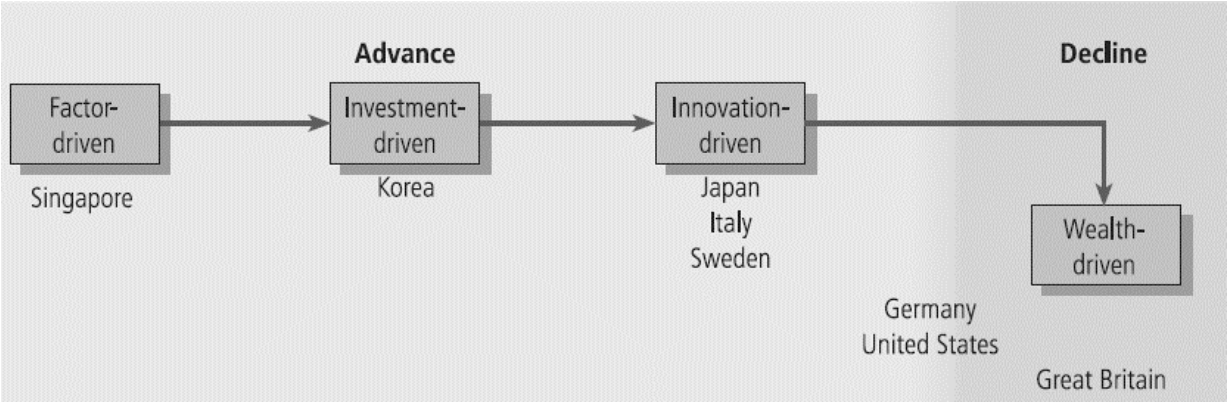

Image 4 Example of Porter (1998) classifying countries to stages based on his belief the country belongs to that stage. (Source: Porter, 1998; Rugman and Collins, 2006)

Factor-driven stage

- successful industries relying on basic factors of production such as natural resources and the nation's large, inexpensive labor pool.
- although successful internationally, the industries compete primarily on price

Investment-driven stage

- companies invest in modern efficient facilities and technology

- work to improve these investments through modification and alteration

Innovation-driven stage

- firms work to create new technologies through internal innovation and using assistance from other industries

Wealth-driven stage

- firms begin loosing competitive advantage, ebbing rivalry ebbs, and declining the motivation to invest.

- Porter´s (1998) states that only outward FDI is valuable for competitive advantage creation, and inbound foreign investment is never the solution to a nation's competitive problems. He adds that foreign subsidiaries are not sources of competitive advantage because domestic firms in many industries lack the capabilities to defend their market positions against foreign firms. However, several scholars are rejecting this.
- The factor driven- stage is viewed by Porter (1998) as insufficient. However, based on Rugman and Collins (2006), e.g. Canada has successful megafirms turning country's comparative advantage in natural resources into proprietary firm-specific advantages in resource processing and further refining—sources of sustainable advantage.
- Porter model does not adequately address the role of MNEs (for example, Canada's large MNEs rely on sales in the U.S and other triad markets. It could be argued the US diamond is more relevant for Canada's industrial MNEs than Canada's own diamond, since more than 70 per cent of Canadian MNE sales take place in the United States).

Rugman and Collins (2006) conclude that from the criticism of Porter Diamond Model stem out that **different diamonds need to be constructed and analyzed for different countries.**

3.3.4. Porter Five Forces Model (Porter 5F model)

While Porter´s diamond details 4 factors influencing competitive environment of a nation or industry, another model developed by M. Porter, a Harvard Business School – Porter Five

Forces model determines **5 factors directly influencing a competitiveness of firm** (Porter Analysis, 2017).

The five competitive forces that shape strategy based on Porter 5F model (Porter Analysis, 2017):

- **Threat of new entrants**
- **Substitutes**
- **Bargaining power of buyers**
- **Bargaining power of suppliers**
- **Rivalry**

Porter five forces can help a firm to evaluate industry in its the firm operates and the profit margins (Porter Analysis, 2017).

Image 5 Example of Porter 5F analysis (Source: own processing for Microsoft company)

- **Peer group analysis**

A peer group (or just simply "peers") is a group of companies engaged in similar business activities influenced by closely related factors. Also, when investors or other shareholders

are of interest of the company´s financial statements, benchmarking within a peer group, and industry analysis is essential to be able to obtain reasonable conclusions (for example, whether the company underperform, overperform or was in line with peer group that year). (CFA program curriculum 2017).

Concrete steps how to detect a peer group (CFA Institute, 2020) and the appropriateness of selected peer-group comparison:

- Go through the classification system of industries to identify companies operating in one industry
- Review the subject company´s annual reports to identify comparables
- Review competitors' annual reports to identify other potential comparables
- Review industry trade publications to identify additional peer companies
- Confirm that each comparable or peer company derives a significant portion of its revenue and operating profit from a similar business activity as the subject company

3.3.5. Concluding remarks to analysis of market structures

As different market structures result in different sets of choices that decision makers of firms make, and **understanding of market structure** can be viewed as a powerful tool. While, in a highly competitive market, long-run profits are driven down by **forces of competition** (CFA program curriculum, 2018), and are essential for the financial analyst in **determining firms' short- and long-term prospects.**

Several questions arise based on the aforementioned view:

- What is determining the degree of competition related to each market structure?
- What decisions are left to the management team developing corporate strategy, considering the given the degree of competition related to each market structure?
- How does a chosen pricing and output strategy evolve into specific decisions affecting profitability of the firm?

(CFA program curriculum, 2018)

The answer to these questions is hidden and related to forces of the market structure within the firm operates.

Traditionally, market structure is classified into one of four structures by economists to four distinct categories:

- **Perfect competition,**
- **Monopolistic competition**
- **Oligopoly**
- **Monopoly**

(CFA program curriculum, 2018)

One extreme is the monopoly market structure, where only one firm is operating and supplying a unique good or service. Compared, another extreme is perfect competition, where many firms operate, supplying a similar product.

Example 28- **Analysis of market structures – market differences examples and basic terms**

The importance of market structure

- Notwithstanding, the market can be limited by geographic limitations. One of the ways to be able to provide goods and services to more customers and **expands market worldwide** is to **digitized** the service.
- Some markets can be **highly concentrated**, it means that the majority of total **sales come from as limited number of firms** (for example small market for consumer batteries with three firms controlling 87 percent of U.S Market – Duracell, Rayovac, and Energizer)
- On the other hand, some markets are very **fragmented** (for example automobile repairs with operating many small independent shops, lacking large chains or even with no large chains)
- However, new products can support market concentration (for example, it was estimated that the Apple iPod had a world market share of 70 % in 2009).

(CFA program curriculum, 2018)

The market structure of perfect competition is summarized on the following example:

Example 29- **Analysis of market structures – Perfect competition**

Perfect competition is an ideal based assumption, however in reality it can be part of just for example several commodities markets, where sellers and buyers

- a strictly **homogeneous product** (identical or similar to others, easily substituted)
- **no single produces is so large to be able to influence market prices** (no bargaining power)

Perfectly competitive industries, however, do not have to necessarily be doomed to extinction by lack of profits. On the other hand a lot of firms are under pressure from perfect competition.

(CFA program curriculum, 2018)

The market structure of monopolistic competition is explained on the following example:

Example 30- **Analysis of market structures – Monopolistic competition**

Monopolistic competition is a highly competitive industry, but considered as a form of imperfect competition, where:

- notably **large number of firms** (competitive characteristic)
- the result of **product differentiation** (monopoly aspect), meaning the seller can convince consumer about product being uniquely different from another ones in order to obtain **some degree of pricing power over the market**. (As an example *Coca Cola* can be mentioned, while it is believed it is different from other soft drinks. Similarly for cosmetics or fashion can be mentioned.

(CFA program curriculum, 2018)

Understanding of market structure of oligopoly can facilitate understanding and identifying a logical pattern of strategic price changes for competing firms (CFA program curriculum, 2018):

Example 31- **Analysis of market structures – Oligopoly**

- is based on **relatively small number of firms** in the market consequently meaning each firm must consider **retaliatory strategies** that will be applied when other competitors will change production level or price
- For example pricing behavior of commercial *airlines companies*
- **If one company change pricing strategy, other companies tend to retaliate**.

(CFA program curriculum, 2018)

Pure version of monopoly markets means:

Example 32- Analysis of market structures – Monopoly

- **no other good substitutes** exist for the given product or service
- **a single seller** with considerable power over pricing (usually set by regulatory authority to allow a normal return on its investment) and output decisions (production)
- wordwide, mostly pure monopolies are regulated by a **governmental authority**
- The most common example of a regulated monopoly is the *local electrical power provider, power provider*

(CFA program curriculum, 2018)

Five factors are considered by CFA program curriculum (2018) as **determining market structure:**

- **The number and relative size of firms supplying the product;**
- **The degree of product differentiation;**
- **The power of the seller over pricing decisions;**
- **The relative strength of the barriers to market entry and exit; and**
- **The degree of non-price competition.**

Example 33- **Factors determining market structure – characteristics of market structure**

Market Structure	Number of Sellers	Degree of Product Differentiation	Barriers to Entry	Pricing Power of Firm	Non-price Competition
Perfect competition	Many	Homogeneous/ Standardized	Very Low	None	None
Monopolistic competition	Many	Differentiated	Low	Some	Advertising and Product Differentiation
Oligopoly	Few	Homogeneous/ Standardized	High	Some or Considerable	Advertising and Product Differentiation
Monopoly	One	Unique Product	Very High	Considerable	Advertising

(CFA Institute, 2018)

3.3.6. Demand and supply analysis: The multinational firm

Demand and supply analysis encompasses the most basic set of microeconomic tools and is essential for investment analysis. It is studying how sellers and buyers interact determining quantities (production, Q) and transaction prices (P). Prices simultaneously reflect both, the cost to the seller of that unit, and the value to the buyer of the next (or marginal) unit. (Piros and Pinto, 2013a)

According to Piros and Pinto (2013b) two main concepts of profits should be distinguished:

- **Accounting profit** which does not include implicit opportunity costs
- **Economic profit** that is equal to **accounting profit minus implicit opportunity costs**, consequently referring to residual value in excess of normal profit and results from access to positive NPV investment opportunities, while:
- as **normal profit** is considered **economic profit equal to zero,** meaning the firm is earning only amount that is enough to cover implicit and explicit costs of resources (where the factors of production are the inputs to produce services and goods, such as land, labor, capital and materials) used in running the firm, including debt and equity capital (considered as vital for publicly traded corporation).

Profit maximization can happen in the following circumstances, when:

- The difference between total revenue and total costs is the greatest
- The marginal costs equal to marginal revenue
- The resource cost for each type of input equal marginal revenue

Piros and Pinto (2013b)

Example 34- Demand and supply analysis: **Revenues, costs and economic profit/loss situation**

Economic profit situation

- In the long run, inputs to the firm are variable expanding profit potential and cost structure available.
- Under perfect competition, at the minimum point of firm´s long run average total cost curve, long-run profit maximization occurs.

Economic loss situation

- Loss minimization occurs when total costs exceed total revenue occurs, when the difference between total costs and revenue is the last.
- **In short run, firm can operate in economic loss situation if total revenue covers variable costs** but is unable to cover fixed costs. Firm shuts down if total revenue does not cover fully variable costs without signals of reversal.

- **In the long run, however, firm will exit the market if is inadequate to cover fixed costs in full.**

Short-Run and Long-Run Operating Decisions

Revenue-Cost Relationship	Short-Run Decision	Long-Run Decision
TR = TC	Continue to operate	Continue to operate
TR = TVC but TR < TC	Continue to operate	Exit market
TR < TVC	Shut down	Exit market

, where TR = total revenues, TC = total costs, TVC= total variable costs

Average total costs (ATC) and price

- Once price exceeds ATC, the firm is making economic profits
- When price is between ATC and average variable costs (AVC), the firm remain in production in the short run, while is meeting variable costs and is covering portion of fixed costs
- At price levels below (AVC) the firm will not be willing to produce while production will only extend losses beyond simply total fixed costs
- The revenues should meet total costs, i.e. the firm must break even or cover all costs, in long run to remain in business.
- In the short run ATC are U-shaped curves, and larger production is, the greater the output at which short run ATC is at its minimum.
- Long run average costs (LRAC) curve, referred as planning curve showing expected per-unit cost of producing various levels of output with different combinations of factors of production, is a function of relationship between average total costs and output, taking into account variable factors of production.
- Average total costs can be lowered by economies of scale resulting from result from mass production and labor specialization, while diseconomies of scale resulting from bureaucratic inefficiencies as a result of management & supervision are leading to higher average costs.

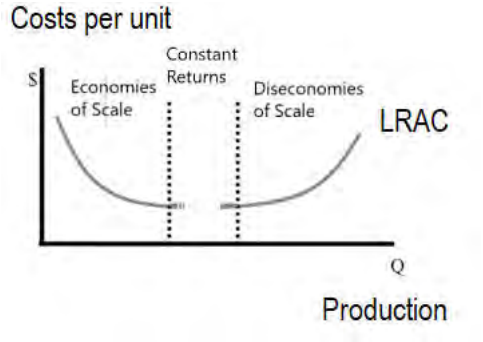

Image 5 Long run cost per unit (Source: own processing using wallstreetmojo.com)

(Piros and Pinto, 2013b)

Example 35- Demand and supply analysis: **Production function and productivity of firm**

- Increase in productivity is reducing business costs and enhancing profitability
- The **relationship between total product and input** is defined by **firm´s production function.**
- Key measures of a firm´s productivity are **average product** and **marginal product**, derived from total product.

(Piros and Pinto, 2013b)

Demand

The **demand**, it means the quantity consumers are willing to buy depends on different various factors (variables), such as for example good´s own price, consumers´ incomes, tastes and preferences, prices of substitutes/complements. Generally, it is being believed decreasing price motivate consumers to buy more goods and services, and vice versa. This claim is known as **law of demand**. (Piros and Pinto, 2013a)

Example 36- Analyzing demand – capturing buyers´ behavior

Demand curve is capturing buyers´ behavior, showing

- the highest price P_x buyers are willing to pay for each quantity Q_x^d
- The largest quantity buyers are able and willing to buy at each price
- For example we can model a specific demand function for a small town´s per-household gasoline consumption per week, using explanatory variables (such as price of gasoline per gallon, income in thousands USD per household annually, price of automobile in thousands USD)

(Piros and Pinto, 2013a)

The aforementioned variables are captured in a relationship called demand function, which is saying "quantity demanded of good X depends on (is a function of) the price of good X, consumers' income, the price of good Y, and so on (Piros and Pinto, 2013a, p. 5)."

$$Q_x^d = f(P_x, I, P_y \dots) \quad (1)$$

, where the dependent variable y is the quantity of demanded goods/services (for example demand per-household for gasoline in gallons per week) and independent variables $x_1 \dots x_n$ are the aforementioned considered factors (for example $x_1 = P_x$ (the price per unit of good X), $x_2 = I$ (consumers´ income, e.g. in $1,000s per household annually), and $x_3 = P_y$ (is the price of another good Y). (Piros and Pinto, 2013a)

goods and services, and vice versa. This claim is known as **law of demand**. (Piros and Pinto, 2013a)

Example 37- Analyzing demand – **capturing buyers´ behavior, the model specification and interpretation in real applications**

- From the aforementioned example, we will use simple linear equation to **approximate real-world demand for a small town´s per-household gasoline consumption per week**, using explanatory variables such as

- price of gasoline per gallon (P_x), (referred by economists as **own-price** referencing the price of a good itself and not the price of some other good)
- income in thousands USD per household annually (I),
- average price of automobile in thousands USD (P_y)

Hypothetically let us consider, consequently, estimated simple linear model explaining the behavior of gasoline purchasing and consuming decision makers (gasoline purchasers and consumers in a small town) is as follows:

$$Q_x^d = 8.4 - 0.4P_x + 0.06I - 0.01P_y$$

But, what are saying us the coefficients, how can be interpreted?

- **The negative coefficient** of gasoline prices ($-0.4P_x$) is showing a **negative (inverse) relationship** between this variable and quantity of gasoline consumed (purchased, Q_x^d) by the household. This may indicate that **if gasoline go up in price P_x, fewer will be purchased and driven. Therefore, that less gasoline will be consumed Q_x^d).**

To be concrete, the per-household weekly consumption would decrease by 0.4 gallons for every dollar increase in gas price, as the price of gasoline rises.

- Similarly, the negative coefficient on average automobile price ($-0.01P_y$) is indication inverse relationship between the quantity of gasoline consumed and purchased (Q_x^d) and may, consequently, mean that if the automobiles go up in price, fewer will be purchased and driven. Therefore, less gasoline will be consumed.

- **The positive coefficient** of consumer´s income ($+0.06I$) is, alternatively, showing a positive relationship between this variable and quantity of gasoline

consumed (purchased, Q_x^d) by the household. This may mean that if per-household income goes up (I), more gasoline will be consumed (Q_x^d).

(Piros and Pinto, 2013a)

Example 38- Analyzing demand – **capturing buyers´ behavior, the model specification and interpretation in real applications**

We will use the aforementioned example to add numbers to the hypothetical model:

$$Q_x^d = 8.4 - 0.4P_x + 0.06I - 0.01P_y$$

Suppose

- **The negative coefficient** of gasoline prices ($-0.4P_x$) is showing a **negative (inverse) relationship** between this variable and quantity of gasoline consumed (purchased, Q_x^d) by the household. This may indicate that **if gasoline go up in price P_x, fewer will be purchased and driven. Therefore, that less gasoline will be consumed Q_x^d).**

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- **The positive coefficient** of consumer´s income ($+0.06I$) is, alternatively, showing a positive relationship between this variable and quantity of gasoline consumed (purchased, Q_x^d) by the household. This may mean that if per-household income goes up (I), more gasoline will be consumed (Q_x^d).

(Piros and Pinto, 2013a)

Example 39- Analyzing demand: concluding note

- Frequently, economists are using simple linear equations to approximate real world demand

(Piros and Pinto, 2013)

Example 40- Demand and supply analysis: **Production function and productivity of firm**

- Increase in productivity is reducing business costs and enhancing profitability
- The **relationship between total product and input** is defined by **firm´s production function.**
- Key measures of a firm´s productivity are **average product** and **marginal product**, derived from total product.
-

(Piros and Pinto, 2013)

SUMMARY

To summarize this handbook dedicated to the role of multinational entities in the globalized world in real applications, answer the following discussion question.

Discussion questions

1. What are the broadly discussed topics in the international finance and business environment- based books?
2. How differ financial management from international financial management?
3. What role plays multinational corporation in the process of globalization?
4. What does it mean financial market become integrated? Mention also real examples.
5. What is foreign exchange risk?
6. What are three main dimensions of international finance mentioned in the first chapter?
7. Can you explain and mention real examples of political risks?
8. Can you mention some examples of market imperfections?
9. What are economies of scale? Explain the term in relation to a so-called Expanded opportunity set.
10. What is the long-run goal of international financial management that is broadly accepted?
11. Can you mention some examples of shareholders?
12. Can you define globalization? Mention also real examples.
13. What are key trends and developments of the world economy?
14. What was the Glass-Steagall Act and how it is connected to globalization?
15. Can you mention some examples of financial innovations?
16. What is a so-called Big Bang related to deregulation?
17. Can you discuss emergence of euro as a global currency? How it relates to globalization?
18. What does tripolarism means?

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19. What can you tell about Europe´s Sovereign Debt Crisis of 2010 and Greek´s debt relates to that?
20. What do contagion effects mean? How it relates to international integration?
21. Can you mention real examples of liberalizing international trade at global and regional level?
22. How can be international trade liberalized?
23. Can you discuss Brexit as an example of disintegration forces?
24. What does privatization mean? Can you mention some real cases?
25. What can you tell about Global Financial Crisis (GFC) of 2008-2009 and how it evolved?
26. How does a term connectivity refer to liberalization and integration? Discuss with real examples.
27. How does economic integration differ from financial integration?
28. What does mean transnationalization?
29. What is a MNC and what is its role in globalized world? Mention real examples of MNCs.
30. What are the reasons why firms become multinational companies? Mention also real examples.
31. Where the mentioned MNCs are headquarters and in which industry/sector do they operate?
32. What FDIs mean? Mention some real examples and use also case of China for FDI inflows.
33. What are the firm-specific factors, in relation to competitive advantage of organization?
34. What are the country-specific factors?
35. Why is industry analysis useful? How it relates to company analysis?
36. What is the Porter diamond framework? How does it differ from Porter´s five forces model?
37. Mention the factors used in both aforementioned models shaping the competitive environment/advantage.

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38. What are the main points of criticism of Porter diamond framework?
39. What are peers? Can you discuss steps how to detect a peer group?
40. What are four main types of market structures? Discuss each of them with concrete examples.
41. What are the five factors considered to be determining market structure facilitating understanding in which market structure the company operates? Discuss each of them.

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LIST OF ABBREVIATIONS

ACI	Air Connectivity Index
ATC	Average total costs
AVC	Average variable costs
CSAs	Country-specific advantages
ECB	European Central Bank
EEC	European Economic Community
EMEA	Europe, Middle East and Africa
EU	European Union
FDI	Foreign Direct Investment
FED	Federal Reserve
FSAs	Firm-specific advantages
FX	Foreign Exchange
GATT	General Agreement Tariffs and Trade
GDP	Gross Domestic Product
GFC	Global Financial Crisis
IMF	International Monetary Fund
LRAC	Long run cost per unit
LSE	London Stock Exchange
M&A	Mergers and acquisition
NAFTA	North American Free Trade Agreement
QE	Quantitative Easing

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R&D Research and Development

WTO World Trade Organization

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APPENDIX A I: FDI (INFLOWS, OUTFLOWS, INSTOCK, OUTSTOCK) REAL CASES OF CHINA AND US

Example - Multinational companies – **FDI inflows: case of China**

CHINA

FDI flows in the host economy, by geographical origin

(Millions of US dollars)

Region / economy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	46 878	52 743	53 505	60 630	72 406	72 715	83 521	108 312	94 065	114 734	123 985	111 716
Developed economies	13 406	13 912	13 747	14 245	15 239	13 623	10 547	12 255	12 644	12 670	14 434	14 209
Europe	4 183	3 710	3 930	4 239	5 194	5 439	3 945	5 115	5 122	5 569	5 267	3 467
European Union	4 183	3 710	3 930	4 239	5 194	5 439	3 945	5 115	5 122	5 569	5 267	2 595
Austria	58	67	95	98	76	149	82	133	89	..	105	..
Belgium	20	124	-	-	54	88	96	56	57	..	121	..
Denmark	56	71	43	66	100	193	125	294	316	..	180	..
Finland	74	65	32	28	22	55	56	54	53	..	59	..
France	532 1	576	604	657 1	615 1	383 3	456	588	654 1	1 238	769	..
Germany	213	928	857	058	530	250	734	900	217	888	1 129	1 451
Greece	7	6	2	28	2	-	2	13	9	..	2	..
Ireland	1	13	11	5	10	24	61	198	101	..	131	..
Italy	220	177	317	281	322	357	348	493	352	..	388	..
Luxembourg	29	14	-	-	142 1	163	82	133	161	..	515	..
Netherlands	776	572	725	811	044	843	617	862	741	914	761	1 144
Portugal	26	10	4	33	4	10	8	8	12	..	13	..
Spain	34	92	92	151	197	235	213	209	303	..	271	..
Sweden	84	100	120	121	111	204	126	139	327	..	175	..

		United Kingdom	1 052	896	742	793	965	754	831	914	679	710	582	..
	Other developed Europe		-	-	-	-	-	-	-	-	-	-	-	873
		Switzerland	-	-	-	-	-	-	-	-	-	-	-	873
North America			4 875 012	6 763	4 555	4 515	3 424	3 013	3	3 488	3 417	3 017	2 838	2 598
	Canada		441 4	588 5	564 4	614 3	454 3	424 3	397 2	543	862 2	..	468	..
	United States		433 4	424 4	199 5	941 5	061 6	000 4	616 3	2 944	555 4	3 017	2 369	2 598
Other developed countries			348	190	054	452	530	759	589	3 652	105	4 084	6 330	8 143
	Bermuda		- 4	- 4	- 5	- 5	- 6	- 4	- 3	-	- 4	-	-	792
	Japan		348 31	190 36	054 35	452 41	530 41	759 47	589 60	3 652 74	105 72	4 084 87	6 330 98	7 352 90
Developing economies			753	398	479	721	128	072	420	900	780	466	122	260
Africa			-	-	-	-	-	033 1	333 1	1 494	104 1	929	1 139	959
	Other Africa		-	-	-	-	-	033 1	333 1	1 494	104 1	929	1 139	959
		Mauritius	- 25	- 28	- 28	- 31	- 28	033 31	333 37	1 494 51	104 55	929 71	1 139 82	959 77
Asia			140 22	221 25	836 25	820 28	807 25	159 28	794 33	758 46	776 51	818 66	629 75	751 71
	East Asia		170 16	021 17	983 17	910 18	869 17	035 21	793 27	652 41	471 46	390 60	915 70	446 65
		Hong Kong, China	717 2	861 2	700 4	998 6	949 5	307 3	703 3	036	075 2	567	500	561
		Korea, Republic of	152	721	489	248	168	895	678	3 135	700	2 692	2 551	3 038
		Macao, China	321 2	468 3	417 3	546 3	600 2	603 2	637 1	582	815 1	655	680	..
		Taiwan Province of China	980 2	971 3	377 2	117 2	152 2	230 3	774 4	1 899	881 4	2 476	2 183	2 847
	South-East Asia		970	200	853	910	937	124	001	5 106	305	5 428	6 714	6 305
		Indonesia	160	122	150	105	87	101	134	167	112	..	46	..
		Malaysia	263	368	251	385	361	393	397	247	429	..	358	..
		Philippines	209 2	186 2	220 2	233 2	189 2	134 2	195 3	127	111 3	..	112	..
		Singapore	144	337	058	008	204	350	185	4 435	605	5 428	6 097	6 305

	Thailand	194 6	188 7	174 6	179 8	96 10	145 13	89 19	129 19	49 13	.. 12	101 12	..
Latin America and the Caribbean		109 6	297 7	643 6	773 8	969 10	343 13	123 19	099 19	880 13	946 12	277 12	9 806
Caribbean		109	297	643	773	969	343	123	099	880	946	277	9 806
	Barbados	- 5	- 6	- 5	- 6	- 9	- 11	- 16	- 15	- 11	- 10	310	..
	British Virgin Islands	042 1	117 1	777	730 2	022 1	248 2	552 2	954	299 2	447	9 725	7 831
	Cayman Islands	067	180	866	043 1	948 1	095 1	571 2	3 145	582 2	2 499	2 242	1 975
Oceania		504	879	-	129 1	352 1	538 1	170 2	2 550	020 2	1 773	2 076	1 744
	Samoa	504 1	879 2	- 4	129 4	352 16	538 12	170 12	2 550 21	020 8	1 773 14	2 076 11	1 744
Unspecified		719	434	278	663	039	020	554	157	641	599	429	7 248

Table 1: FDIs inflows, China

Source: UNCTAD (2018) FDI/TNC database, based on data from the Ministry of Commerce (MOFCOM).

Example 22- Multinational companies – **FDI outflows: case of China**

CHINA

Table 2. FDI flows abroad, by geographical destination

(Millions of US dollars)

Region / economy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
World	..	..	2 855	5 498	12 261	17 634	26 506	55 907	56 529	68 811
Developed economies	..	..	211	336	731	520	2 747	2 787	7 043	10 864

Europe			..	..	113	74	190	130	1 050	467	2 991	6 129
	European Union		..	..	113	73	190	129	1 045	467	2 967	5 963
		Austria	..	..	-	-	-	-	-	-	-	-
		Belgium	..	..	-	-	-	-	5	-	24	45
		Bulgaria	..	..	-	-	2	-	-	-	- 2	16
		Croatia	..	..	-	-	-	-	1	-	-	-
		Cyprus	..	..	-	-	-	-	-	-	-	-
		Czech Republic	..	..	-	-	-	9	5	13	16	2
		Denmark	..	..	74	- 8	11	- 59	-	1	3	2
		Finland	..	..	-	-	-	-	-	3	1	18
		France	..	..	-	10	6	6	10	31	45	26
		Germany	..	..	25	28	129	77	239	183	179	412
		Greece	..	..	-	-	-	-	-	-	-	-
		Hungary	..	..	1	-	1	-	9	2	8	370
		Ireland	..	..	-	-	-	25	-	42	- 1	33
		Italy	..	..	-	3	7	8	8	5	46	13
		Latvia	..	..	2	-	-	-	- 2	-	-	-
		Lithuania	..	..	-	-	-	-	-	-	-	-
		Luxembourg	..	..	-	-	-	-	4	42	2 270	3 207
		Malta	..	..	-	-	-	-	-	-	-	- 2
		Netherlands	..	..	4	2	4	5	107	92	101	65
		Poland	..	..	2	-	-	-	12	11	10	17
		Portugal	..	..	-	-	-	-	-	-	-	-
		Romania	..	..	1	3	3	10	7	12	5	11
		Slovakia	..	..	-	-	-	-	-	-	-	-
		Spain	..	..	-	2	1	7	6	1	60	29
		Sweden	..	..	-	3	1	5	68	11	8	1 367
		United Kingdom	..	..	2	29	25	35	567	17	192	330
	Other developed Europe		..	..	-	1	1	1	5	-	25	165
		Liechtenstein	..	..	-	-	-	-	-	-	-	4

		Norway	..	..	-	-	-	-	4	-	4	135
		Switzerland	..	..	-	1	1	1	1	-	21	27
North America			..	..	58	125	264	233	1 228	469	1 522	2 451
	Canada		..	..	- 7	5	32	35	1 033	7	613	1 142
	United States		..	..	65	120	232	198	196	462	909	1 308
Other developed countries			..	..	41	137	276	157	469	1 851	2 530	2 285
	Australia		..	..	30	125	193	88	532	1 892	2 436	1 702
	Bermuda		..	..	-	1	57	25	- 103	- 105	-	171
	Israel		..	..	-	-	6	1	2	- 1	-	11
	Japan		..	..	7	15	17	39	39	59	84	338
	New Zealand		..	..	3	- 5	3	3	- 2	6	9	64
Developing economies			..	..	2 605	5 065	11 216	16 565	22 891	52 055	48 780	56 736
Africa			..	..	75	317	392	520	1 574	5 491	1 439	2 112
	North Africa		..	..	5	166	190	154	281	11	358	260
		Algeria	..	..	2	11	85	99	146	42	229	186
		Egypt	..	..	2	6	13	9	25	15	134	52
		Libya	..	..	-	-	-	- 9	42	11	- 39	- 11
		Morocco	..	..	-	2	1	2	3	7	16	2
		Sudan	..	..	-	147	91	51	65	- 63	19	31
		Tunisia	..	..	-	-	-	2	-	-	- 1	-
	Other Africa		..	..	70	152	201	366	1 293	5 479	1 080	1 852
		Angola	..	..	-	-	-	22	41	- 10	8	101
		Botswana	..	..	1	-	4	3	2	14	18	44
		Cameroon	..	..	-	-	-	1	2	2	1	15
		Congo	..	..	-	1	8	13	3	10	28	34
		Congo, Democratic Rep. of	..	..	-	12	5	37	57	24	227	236
		Côte d' Ivoire	..	..	1	7	9	- 3	2	- 7	2	- 5
		Equatorial Guinea	..	..	-	2	6	10	13	- 5	21	22
		Eritrea	..	..	-	-	-	-	-	- 0	-	3
		Ethiopia	..	..	1	-	5	24	13	10	74	59

Gabon	..	..	-	6	2	6	3	32	12	23

Table 2. FDI flows abroad, by geographical destination *(continued)*

(Millions of US dollars)

Region / economy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Ghana	..	..	3	-	3	1	2	11	49	56
Guinea	..	..	1	14	16	1	13	8	27	10
Kenya	..	..	1	3	2	-	9	23	28	101
Liberia	..	..	-	1	9	- 7	-	3	1	30
Madagascar	..	..	1	14	-	1	13	61	43	34
Malawi	..	..	-	-	-	-	-	5	-	10
Mali	..	..	5	-	-	3	7	- 1	8	3
Mauritania	..	..	2	-	-	5	- 5	- 1	7	6
Mauritius	..	..	10	-	2	17	16	34	14	22
Mozambique	..	..	-	1	3	-	10	6	16	-
Namibia	..	..	1	-	-	1	1	8	12	6
Niger	..	..	-	2	6	8	101	-	40	196
Nigeria	..	..	24	46	53	68	390	163	172	185
Rwanda	..	..	-	-	1	3	-	13	9	13
Senegal	..	..	1	-	-	-	-	4	11	19
Seychelles	..	..	-	-	-	-	-	-	-	12
Sierra Leone	..	..	-	6	0	4	3	11	1	-
South Africa	..	..	9	18	47	41	454	4 808	42	411
Togo	..	..	-	2	-	5	3	4	9	12

		Uganda	..	..	1	-	-	-	4	- 7	1	27
		United Rep. of Tanzania	..	..	-	2	1	13	- 4	18	22	26
		Zambia	..	..	6	2	10	87	119	214	112	75
		Zimbabwe	..	..	-	1	1	3	13	- 1	11	34
Asia			..	..	1 491	2 985	4 351	7 541	16 174	42 834	39 978	43 962
	East Asia		..	..	1 340	2 749	4 076	7 009	14 051	39 660	36 604	38 103
		Hong Kong, China	..	..	1 149	2 628	3 420	6 931	13 732	38 640	35 601	38 505
		Korea, Republic of	..	..	154	40	589	27	57	97	265	- 722
		Macao, China	..	..	32	27	8	- 43	47	643	456	96
		Mongolia	..	..	4	40	52	82	196	239	277	194
		Taiwan Province of China	..	..	-	-	-	-	-	-	-	17
	South-East Asia		..	..	119	196	158	336	968	2 484	2 698	4 405
		Brunei Darussalam	..	..	-	-	2	-	1	2	6	17
		Cambodia	..	..	22	30	5	10	64	205	216	467
		Indonesia	..	..	27	62	12	57	99	174	226	201
		Lao People's Dem. Rep.	..	..	1	4	21	48	154	87	203	314
		Malaysia	..	..	2	8	57	8	- 33	34	54	164
		Myanmar	..	..	-	4	12	13	92	233	377	876
		Philippines	..	..	1	-	5	9	5	34	40	244
		Singapore	..	..	- 3	48	20	132	398	1 551	1 414	1 119
		Thailand	..	..	57	23	5	16	76	45	50	700
		Viet Nam	..	..	13	17	21	44	111	120	112	305
	South Asia		..	..	20	22	29	15	947	460	204	928
		Afghanistan	..	..	-	-	-	-	-	114	16	2
		Bangladesh	..	..	1	1	-	5	4	5	11	7
		India	..	..	-	-	11	6	22	102	- 25	48
		Iran, Islamic Republic of	..	..	8	18	12	66	11	- 35	125	511
		Nepal	..	..	-	2	1	-	1	-	1	1
		Pakistan	..	..	10	1	4	- 62	911	265	77	331

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	Sri Lanka	..	..	-	-	-	-	- 2	9	- 1	28
West Asia		..	..	12	18	89	181	208	229	472	526
	Iraq	..	..	-	-	-	-	-	- 2	2	48
	Jordan	..	..	-	-	1	- 6	1	- 2	-	-
	Kuwait	..	..	-	2	-	4	- 6	2	3	23
	Oman	..	..	-	-	5	27	3	- 23	- 6	11
	Qatar	..	..	1	1	-	4	10	10	- 4	11
	Saudi Arabia	..	..	-	2	21	117	118	88	90	36
	Syrian Arab Republic	..	..	-	-	-	-	- 11	- 1	3	8
	Turkey	..	..	2	2	-	1	2	9	293	8
	United Arab Emirates	..	..	9	8	26	28	49	127	89	349
	Yemen	..	..	- 1	3	35	8	43	19	2	31
Latin America and the Caribbean		..	..	038	1 763	6 466	8 469	4 902	3 677	7 328	10 538
South America		..	..	16	19	38	64	352	75	330	877
	Argentina	..	..	1	1	-	6	137	11	- 23	27
	Bolivia, Plurinational State of	..	..	-	-	-	18	2	4	18	3

Table 2. FDI flows abroad, by geographical destination *(concluded)*

(Millions of US dollars)

Region / economy		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Brazil	..	..	7	6	15	10	51	22	116	487
	Chile	..	..	-	1	2	7	4	1	8	34
	Colombia	..	..	-	5	1	- 3	-	7	6	7
	Ecuador	..	..	-	-	9	2	4	- 9	18	22
	Guyana	..	..	-	-	-	-	60	-	-	28
	Paraguay	..	..	-	-	-	-	-	3	6	28
	Peru	..	..	-	-	1	5	7	25	58	139
	Suriname	..	..	1	1	3	-	18	2	1	6
	Uruguay	..	..	1	-	-	-	-	-	5	-

			Venezuela, Bolivarian Rep. of	..	..	6	5	7	18	70	10	116	94
		Central America		..	..	-	29	12	- 4	21	11	15	53
			Honduras	..	..	-	1	-	-	- 4	- 1	-	-
			Mexico	..	..	-	27	4	- 4	17	6	1	27
			Panama	..	..	-	-	8	-	8	7	14	26
		Caribbean		..	..	1 022	1 715	6 416	8 409	4 530	3 591	6 984	9 609
			Antigua and Barbuda	..	..	-	-	-	-	-	-	-	-
			Bahamas	..	..	- 1	44	23	3	39	- 56	1	-
			Barbados	..	..	-	-	-	2	-	1	1	- 2
			British Virgin Islands	..	..	210	386	1 226	538	1 876	2 104	1 612	6 120
			Cayman Islands	..	..	807	1 286	5 163	7 833	2 602	1 524	5 366	3 496
			Jamaica	..	..	-	-	-	-	-	2	-	2
	Oceania			..	..	-	-	6	35	240	53	35	124
		Fiji		..	..	-	-	-	5	2	8	2	6
		Marshall Islands		..	..	-	-	-	2	34	8	27	13
		Papua New Guinea		..	..	-	-	6	29	197	30	5	5
		Samoa		..	..	-	-	-	-	-	-	1	99
		Vanuatu		..	..	-	-	-	-	-	-	-	-
Transition economies				..	..	39	97	315	549	868	1 065	706	1 211
	South-East Europe			..	..	1	-	-	-	-	-	2	2
		Bosnia and Herzegovina		..	..	1	-	-	-	-	-	2	-
		Serbia		..	..	-	-	-	-	-	-	-	2
	CIS			..	..	37	97	315	549	868	1 065	705	1 209
		Azerbaijan		..	..	-	-	-	4	- 1	- 1	2	-
		Belarus		..	..	-	-	-	-	-	2	2	19
		Kazakhstan		..	..	3	2	95	46	280	496	67	36
		Kyrgyzstan		..	..	2	5	14	28	15	7	137	82
		Russian Federation		..	..	31	77	203	452	478	395	348	568
		Tajikistan		..	..	-	5	1	7	68	27	17	15
		Ukraine		..	..	-	1	2	2	6	2	-	2

Uzbekistan	..	..	1	1	-	1	13	39	5	- 5
Georgia	..	..	-	5	-	10	8	10	8	41

Table 2: FDIs outflows, China

Source: UNCTAD (2018) FDI/TNC database, based on data from the Ministry of Commerce (MOFCOM).

Example - Multinational companies – **FDI in stock in the host economy: Case of China**

CHINA

Table 3. FDI stock in the host economy, by geographical origin

(Millions of US dollars)

Region / economy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	395 223 99	447 966 113	501 471 127	562 101 141	634 506 156	703 974 169	790 747 180	899 059 192	993 124 205	1 107 858 218	1 231 843 233	1 343 559 247
Developed economies	618 30	530 33	277 37	522 42	759 47	972 52	842 56	976 61	567 66	787	155	364
Europe	232 30	943 33	873 37	112 42	305 47	630 52	584 56	579 61	647 66	72 132	77 332	80 799
European Union	232	943	873	112	305	630	584	579	647	72 132	77 332	79 927
Austria	281	348	443	541	617	766	852	985	1 073	1 198	1 303	1 303
Belgium	437	561	-	-	808	887	985	1 041	1 097	1 136	1 257	1 257
Denmark	406	477	520	586	686	879	1 007	1 301	1 616	1 982	2 162	2 162
Finland	288 4	353 5	385	413	435	490	547	601	654	719	778	778
France	968 7	543 7	6 147	6 804	7 419 11	7 802 13	8 271 14	8 859	9 512	10 750	11 519	11 519
Germany	066	994	8 851	9 909	439	418	176	15 076	16 293	17 182	18 311	19 762

		Greece	22	29	31	59	60	61	63	76	85	90	92	92
		Ireland	21	35	46	51	59	83	144	342	444	510	641	641
		Italy	2 052	2 229	2 546	2 827	3 148	3 498	3 854	4 347	4 699	5 095	5 483	5 483
		Luxembourg	93	107	-	-	453	548	630	763	923	1 170	1 684	1 684
		Netherlands	3 766	4 338	5 063	5 874	6 918	7 759	8 399	9 261	10 002	10 917	11 678	12 822
		Portugal	59	69	73	106	110	120	129	137	149	160	173	173
		Spain	262	354	446	597	794	1 029	1 250	1 459	1 762	2 016	2 287	2 287
		Sweden	711	810	930	1 051	1 163	1 367	1 496	1 635	1 962	2 123	2 298	2 298
		United Kingdom	9 800	10 696	11 438	12 231	13 196	13 922	14 781	15 695	16 374	17 084	17 666	17 666
	Other developed Europe		-	-	-	-	-	-	-	-	-	-	-	873
		Switzerland	-	-	-	-	-	-	-	-	-	-	-	873
	North America		37 236 2	43 247 3	48 010	52 565	56 079	59 369	62 534	66 022	69 438	73 090	75 928	78 526
	Canada		770	358	3 922	4 536	4 989	5 414	5 828	6 371	7 233	7 868	8 336	8 336
	United States		34 466	39 889	44 088	48 029	51 090	53 955	56 706	59 650	62 205	65 223	67 592	70 190
	Other developed countries		32 150	36 340	41 394	46 846	53 375	57 973	61 724	65 376	69 481	73 565	79 895	88 038
	Bermuda		-	-	-	-	-	-	-	-	-	-	-	792
	Japan		32 150	36 340	41 394	46 846	53 375	57 973	61 724	65 376	69 481	73 565	79 895	87 247
Developing economies			281 297	317 693	353 172	394 893	437 008	486 416	549 075	623 975	696 755	788 399	886 521	976 781
	Africa		-	-	-	-	-	4 437	5 843	7 337	8 440	9 369	10 508	11 467
	Other Africa		-	-	-	-	-	4 437	5 843	7 337	8 440	9 369	10 508	11 467
		Mauritius	-	-	-	-	-	4 437	5 843	7 337	8 440	9 369	10 508	11 467
	Asia		258 964	287 184	316 020	347 840	376 647	406 547	445 959	497 717	553 492	625 872	708 501	786 252
	East Asia		232 937	257 957	283 940	312 850	338 720	365 587	400 720	447 372	498 843	565 233	641 148	712 594
		Hong Kong, China	187 014	204 875	222 575	241 573	259 522	279 755	308 533	349 569	395 645	456 212	526 712	592 273
		Korea, Republic of	12 478	15 199	19 688	25 936	31 104	34 999	38 775	41 910	44 610	47 303	49 854	52 892

			4	4								
		Macao, China	305	773	5 190	5 736	6 337	6 940	7 651	8 233	9 047	9 703	10 383	10 383
		Taiwan Province of China	29 140	33 110	36 487	39 604	41 757	43 893	45 761	47 660	49 540	52 016	54 199	57 046
	South-East Asia		26 027	29 227	32 080	34 990	37 927	40 960	45 239	50 345	54 650	60 639	67 353	73 658
		Indonesia	997	1 119	1 269	1 374	1 460	1 561	1 701	1 868	1 980	2 057	2 103	2 103
		Malaysia	468	835	3 086	3 471	3 833	4 226	4 681	4 928	5 357	5 652	6 010	6 010
		Philippines	239	425	1 645	1 878	2 067	2 201	2 405	2 532	2 643	2 780	2 892	2 892
		Singapore	136	473	531	539	744	004	391	37 826	41 431	46 859	52 956	59 261
		Thailand	187	375	2 549	2 728	2 823	2 968	3 061	3 190	3 239	3 291	3 392	3 392
	Latin America and the Caribbean		894	191	834	607	576	919	508	607	487	137 051	149 328	159 134
	Caribbean		894	191	834	607	576	919	508	607	487	137 051	149 328	159 134
		Barbados	-	-	-	-	-	-	-	-	-	3 617	3 927	3 927
		British Virgin Islands	270	388	165	895	917	164	146	90 100	398	111 846	121 571	129 402
		Cayman Islands	624	803	4 669	6 712	8 659	755	362	16 507	19 089	21 588	23 830	25 805
	Oceania		439	318	2 318	3 447	5 785	7 513	9 765	12 315	14 335	16 108	18 184	19 928
	Samoa		439	318	2 318	3 447	5 785	7 513	9 765	12 315	14 335	16 108	18 184	19 928
Unspecified			14 308	16 743	21 022	25 685	40 739	47 586	60 830	82 108	90 803	100 671	112 167	119 415

Table 3: FDIs in stock, China

Source: UNCTAD (2018) FDI/TNC database, based on data from the Ministry of Commerce (MOFCOM).

Note: Data refer to accumulated FDI inflows.

Example -Multinational companies – **FDI out stock in the host economy: Case of China**

CHINA

Table 4. FDI stock abroad, by geographical destination

(Millions of US dollars)

Region / economy	2001	2002	2003	2004	2005	2006	2007	2008	2009	201
World	..	..	33 222	44 777	57 206	75 026	117 911	183 971	245 755	3 2
Developed economies	..	..	1 523	2 116	2 815	3 948	8 268	10 799	18 175	29 7
Europe	..	..	424	539	772	1 283	2 963	3 195	6 330	12 7
European Union	..	..	422	537	769	1 275	2 950	3 182	6 286	12 5
Austria	..	..	1	1	-	-	4	4	2	
Belgium	..	..	-	2	2	3	34	33	57	1
Bulgaria	..	..	1	1	3	5	5	5	2	
Croatia	..	..	-	-	1	1	8	8	8	
Cyprus	..	..	-	-	1	1	1	1	1	
Czech Republic	..	..	-	1	1	15	20	32	49	
Denmark	..	..	74	67	97	36	37	38	41	
Estonia	..	..	-	-	1	1	1	1	8	
Finland	..	..	-	-	1	1	1	4	9	
France	..	..	13	22	34	45	127	167	221	2
Germany	..	..	84	129	268	472	845	846	1 082	1 5
Greece	..	..	-	-	-	-	-	2	2	
Hungary	..	..	5	5	3	54	78	89	97	4
Ireland	..	..	-	-	-	25	29	108	107	1
Italy	..	..	19	21	22	74	127	134	192	2
Latvia	..	..	2	2	2	2	1	1	1	
Lithuania	..	..	-	-	4	4	4	4	4	

			Luxembourg	..	..	-	-	-	-	67	123	2 484	5 7
			Malta	..	..	-	-	1	2	2	5	5	
			Netherlands	..	..	6	9	15	20	139	234	336	4
			Poland	..	..	3	3	12	87	99	110	120	1
			Portugal	..	..	-	-	-	-	2	2	5	
			Romania	..	..	30	31	39	66	73	86	93	1
			Slovakia	..	..	-	-	-	-	5	5	9	
			Slovenia	..	..	-	-	-	1	1	1	5	
			Spain	..	..	102	128	130	137	143	145	205	2
			Sweden	..	..	6	6	22	20	147	158	112	1 4
			United Kingdom	..	..	75	108	108	202	950	838	1 028	1 3
		Other developed Europe		..	..	2	2	4	8	13	13	44	2
			Iceland	..	..	-	-	1	-	-	-	-	
			Liechtenstein	..	..	-	-	-	-	-	-	-	
			Norway	..	..	-	-	-	-	4	4	13	1
			Switzerland	..	..	2	2	2	8	9	9	30	
	North America			..	..	549	724	926	1 379	3 135	3 658	5 009	7 4
		Canada		..	..	46	59	103	141	1 255	1 268	1 670	2 6
		United States		..	..	502	665	823	1 238	1 881	2 390	3 338	4 8
	Other developed countries			..	..	550	853	1 117	1 287	2 170	3 946	6 837	9 5
		Australia		..	..	416	495	587	794	1 444	3 355	5 863	7 8
		Bermuda		..	..	-	185	337	208	106	1	176	3
		Israel		..	..	-	-	6	9	11	10	11	
		Japan		..	..	89	139	151	224	558	510	693	1 1
		New Zealand		..	..	44	33	35	51	51	70	94	1
						31	42	53	69	107			
Developing economies				..	..	592	454	563	643	264	169 289	222 975	281 5
	Africa			..	..	491	900	1 595	2 557	4 462	7 804	9 332	13 0
		North Africa		..	..	27	232	618	904	1 204	1 282	1 694	1 9
			Algeria	..	..	6	34	171	247	394	509	751	9
			Egypt	..	..	14	14	40	100	132	131	285	3

	Libya	..	..	1	1	33	29	71	82	43	
	Morocco	..	..	4	9	21	27	30	28	49	
	Sudan	..	..	1	172	352	497	575	528	564	6
	Tunisia	..	..	2	1	2	4	4	4	2	
Other Africa		..	..	464	668	977	1 652	3 257	6 522	7 638	11 0
	Angola	..	..	-	-	9	37	78	69	196	3
	Botswana	..	..	2	4	18	26	43	65	119	1
	Cameroon	..	..	6	7	8	16	19	20	25	
	Cape Verde	..	..	-	-	1	2	5	5	5	
	Congo	..	..	-	6	13	63	65	75	115	1
	Congo, Democratic Rep. of	..	..	-	16	25	38	104	134	397	6
	Côte d' Ivoire	..	..	8	14	29	25	28	21	38	

Table 4. FDI stock abroad, by geographical destination *(continued)*

(Millions of US dollars)

Region / economy		2001	2002	2003	2004	2005	2006	2007	2008	2009	201
	Equatorial Guinea	..	..	9	10	17	30	45	41	62	
	Eritrea	..	..	2	-	-	7	7	7	10	
	Ethiopia	..	..	5	8	30	96	109	126	283	3
	Gabon	..	..	24	31	35	51	56	88	100	1
	Ghana	..	..	7	6	7	8	42	58	185	2
	Guinea	..	..	14	26	44	55	70	96	129	1
	Kenya	..	..	26	28	58	46	55	78	120	2
	Liberia	..	..	6	6	16	30	30	37	56	
	Madagascar	..	..	28	41	50	54	76	147	196	2
	Malawi	..	..	1	1	1	1	1	7	15	
	Mali	..	..	12	13	13	20	32	31	45	
	Mauritania	..	..	2	2	2	20	15	25	31	
	Mauritius	..	..	13	13	27	51	116	230	243	2

		Mozambique	..	..	2	6	15	15	34	43	75	
		Namibia	..	..	1	2	2	6	7	20	46	
		Niger	..	..	13	14	20	33	135	137	184	3
		Nigeria	..	..	32	76	94	216	630	796	1 026	1 2
		Rwanda	..	..	3	3	5	8	7	20	29	
		Senegal	..	..	3	3	2	4	4	11	26	
		Seychelles	..	..	-	-	4	6	7	7	7	
		Sierra Leone	..	..	-	6	18	15	32	44	51	
		South Africa	..	..	45	59	112	168	702	3 049	2 307	4 1
		Togo	..	..	5	6	5	12	14	23	33	
		Uganda	..	..	1	-	5	15	19	12	59	1
		United Rep. of Tanzania	..	..	7	54	62	112	111	190	282	3
		Zambia	..	..	144	148	160	268	429	651	844	9
		Zimbabwe	..	..	37	38	42	46	59	60	100	1
Asia			..	..	26 470	33 270	40 471	47 298	77 767	128 854	182 586	224 0
	East Asia		..	..	25 329	31 677	38 150	44 192	71 566	119 271	169 057	203 6
		Hong Kong, China	..	..	24 632	30 393	36 507	42 270	68 781	115 845	164 499	199 0
		Korea, Republic of	..	..	235	562	882	949	1 214	850	1 218	6
		Macao, China	..	..	447	625	599	612	911	1 561	1 837	2 2
		Mongolia	..	..	13	76	131	315	592	896	1 242	1 4
		Taiwan Province of China	..	..	-	-	-	-	-	-	-	
	South-East Asia		..	..	587	956	1 256	1 764	3 954	6 487	9 579	14 3
		Brunei Darussalam	..	..	-	-	2	2	4	7	17	
		Cambodia	..	..	59	90	77	104	168	391	633	1 1
		Indonesia	..	..	54	122	141	226	679	543	799	1 1
		Lao People's Dem. Rep.	..	..	9	15	33	96	302	305	536	8
		Malaysia	..	..	101	123	187	197	275	361	480	7
		Myanmar	..	..	10	20	24	163	262	500	930	1 9
		Philippines	..	..	9	10	19	22	43	87	143	3
		Singapore	..	..	165	233	325	468	1 444	3 335	4 857	6 0

	Thailand	..	..	151	182	219	233	379	437	448	1 0
	Viet Nam	..	..	29	160	229	254	397	522	729	9
South Asia		..	..	68	107	311	337	1 371	1 833	2 169	3 3
	Afghanistan	..	..	-	-	-	1	1	115	181	1
	Bangladesh	..	..	8	9	33	40	43	48	60	
	India	..	..	1	5	15	26	120	222	221	4
	Iran, Islamic Republic of	..	..	22	47	56	111	122	94	218	7
	Nepal	..	..	2	3	3	4	9	9	14	
	Pakistan	..	..	27	36	189	148	1 068	1 328	1 458	1 8
	Sri Lanka	..	..	7	7	15	8	8	17	16	
West Asia		..	..	486	530	754	1 005	876	1 263	1 781	2 7
	Bahrain	..	..	-	-	2	-	1	1	1	
	Iraq	..	..	437	435	435	436	22	21	23	4
	Jordan	..	..	1	6	17	11	12	10	11	
	Kuwait	..	..	-	3	1	6	1	3	6	
	Oman	..	..	-	-	7	34	37	14	8	
	Qatar	..	..	2	3	3	8	40	50	36	
	Saudi Arabia	..	..	-	2	58	273	404	621	711	7
	Syrian Arab Republic	..	..	-	-	4	17	6	4	8	
	Turkey	..	..	2	3	4	10	12	22	386	4
	United Arab Emirates	..	..	31	47	145	145	234	376	440	7

Table 4. FDI stock abroad, by geographical destination *(concluded)*

(Millions of US dollars)

Region / economy		2001	2002	2003	2004	2005	2006	2007	2008	2009	201
	Yemen	..	..	13	31	78	64	107	141	149	1
Latin America and the Caribbean		..	..	4 619	8 268	11 470	19 694	24 701	32 240	30 595	43 8
South America		..	..	226	285	306	463	900	1 074	1 572	2 8
	Argentina	..	..	1	19	4	11	157	173	169	2

		Bolivia, Plurinational State of	..	..	-	-	-	21	23	29	56	
		Brazil	..	..	52	79	81	130	190	217	361	9
		Chile	..	..	1	1	4	11	57	58	66	1
		Colombia	..	..	1	7	7	6	7	14	21	
		Ecuador	..	..	1	2	18	39	49	89	107	1
		Guyana	..	..	14	13	6	9	69	70	150	1
		Paraguay	..	..	-	-	-	-	-	5	11	
		Peru	..	..	126	126	129	130	137	194	285	6
		Suriname	..	..	10	10	13	32	65	68	69	
		Uruguay	..	..	1	1	1	2	2	2	7	
		Venezuela, Bolivarian Rep.	..	..	19	27	43	72	144	156	272	4
	Central America		..	..	106	131	182	171	208	241	257	3
		Costa Rica	..	..	-	-	-	-	-	-	2	
		Honduras	..	..	9	6	5	5	1	-	-	
		Mexico	..	..	97	125	142	129	151	173	174	1
		Panama	..	..	-	-	35	37	55	67	81	2
	Caribbean		..	..	4 288	7 852	10 982	19 061	23 594	30 926	28 766	40 6
		Antigua and Barbuda	..	..	-	-	-	1	1	1	1	
		Bahamas	..	..	44	80	15	18	57	1	2	
		Barbados	..	..	-	2	2	2	2	3	6	
		British Virgin Islands	..	..	533	1 089	1 984	4 750	6 627	10 477	15 061	23 2
		Cayman Islands	..	..	3 691	6 660	8 936	14 209	16 811	20 327	13 577	17 2
		Dominican Republic	..	..	-	-	-	-	-	-	-	
		Jamaica	..	..	-	-	-	-	-	2	2	
		Trinidad and Tobago	..	..	-	-	-	1	1	1	1	
Oceania			..	..	12	16	28	94	335	391	462	5
	Fiji		..	..	-	2	10	19	22	31	33	
	Marshall Islands		..	..	-	-	-	2	36	44	81	
	Papua New Guinea		..	..	10	3	8	61	258	290	315	3
	Samoa		..	..	1	1	1	1	1	1	2	1

		Vanuatu	..	..	-	-	3	3	3	3	8	
Transition economies			..	..	108	207	827	1 434	2 378	3 883	4 604	5 9
	South-East Europe		..	..	1	4	6	6	7	7	13	
		Albania	..	..	-	-	1	1	1	1	4	
		Bosnia and Herzegovina	..	..	1	4	4	4	4	4	6	
		Serbia	..	..	-	-	-	-	2	2	3	
		Serbia and Montenegro	..	..	-	-	2	2	-	-	-	
	CIS		..	..	106	203	821	1 428	2 371	3 876	4 591	5 8
		Armenia	..	..	-	-	1	1	1	1	1	
		Azerbaijan	..	..	-	4	3	11	10	10	12	
		Belarus	..	..	-	-	-	-	-	2	4	
		Kazakhstan	..	..	20	25	245	276	610	1 402	1 516	1 5
		Kyrgyzstan	..	..	16	19	45	125	140	147	284	3
		Moldova, Republic of	..	..	-	-	1	1	1	1	1	
		Russian Federation	..	..	62	123	466	930	1 422	1 838	2 220	2 7
		Tajikistan	..	..	5	22	23	30	99	227	163	1
		Ukraine	..	..	-	1	3	7	14	16	21	
		Uzbekistan	..	..	3	4	12	15	31	78	85	
	Georgia		..	..	-	5	22	32	43	66	75	1

Table 4: FDIs out stock, China

Source: UNCTAD (2018) FDI/TNC database, based on data from the Ministry of Commerce (MOFCOM).

Example - Multinational companies – **FDI inflows: Case of United States**

United States

FDI flows in the host economy, by geographical origin

(Millions of US dollars)

Region / economy	2001	2002	2003	2004	2005	2006	2007	2008	2009
World	159 461	74 457	53 146	135 826	104 773	237 136	215 952	306 366	14 6
Developed economies	140 123	63 893	41 297	136 329	95 834	219 653	186 634	281 628	13 3
Europe	134 073	45 528	25 423	82 399	77 299	179 327	120 088	230 931	99 8
European Union	72 389	34 558	28 157	65 411	65 265	177 419	129 108	181 500	94 0
Austria	- 189	1 118	42	241	-1 033	- 179	590	370	
Belgium	243	-2 712	1 770	1 299	-1 561	541	12 835	- 989	13 2
Cyprus	1	-	- 16	..	..	..	260	..	
Czech Republic	-	20	- 1	44	1	- 24	- 17	3	
Denmark	- 880	3 035	570	158	1 009	893	184	548	1 1
Estonia	-	-	- 1	-	-	-	- 3	- 1	
Finland	-1 030	- 598	- 801	17	416	1 017	-1 566	6 868	
France	14 546	4 624	4 526	10 706	10 053	29 078	5 808	12 950	25 3
Germany	40 206	1 990	12 280	7 079	12 101	39 540	-12 690	17 122	12 3
Greece	- 160	59	64	156	194	..	- 161	..	- 1
Hungary	12 463	129	-2 277	744	1 975	4 499	8 689	2 400	2
Ireland	1 882	1 990	-4 754	-5 241	1 876	6 538	4 974	- 341	-1 3
Italy	498	357	- 215	1 198	636	3 237	5 485	5 871	-2 4
Lithuania	-	-	-	-	..	-	..	1	
Luxembourg	-21 498	-1 108	14 344	7 301	4 235	17 923	16 051	6 802	17 3
Malta	-	..	..	..	2	-	6	- 12	
Netherlands	24 036	4 337	6 365	8 191	-1 871	25 543	25 973	75 327	5 0
Poland	- 84	50	22	1	- 20	5 796	..	426	-2 5

			Portugal	68	- 19	- 30	- 31	1	..	226	- 51
			Romania	6	- 1	- 3	..	- 5	-	3	- 46
			Slovakia	1	1	- 1	- 5	5	..	- 2	- 3
			Slovenia	- 1	..	..	-	-	8	- 9	- 3
			Spain	- 170	41	672	469	2 305	7 164	15 286	9 330
			Sweden	- 368	- 19	- 14	2 452	-1 211	-2 406	20 318	-7 662
			United Kingdom	2 819	21 267	-4 385	28 137	36 132	38 547	25 434	52 609
		Other developed Europe		61 684	10 970	-2 734	16 988	12 034	1 908	-9 020	49 431
			Gibraltar	-	34	..	..	..	..	..	-
			Iceland	-	- 198	..	5 635	191	..	-2 085	- 798
			Liechtenstein	- 6	12	4	43	27	24	51	23
			Monaco	-	-	-	-	-	-	-	1
			Norway	- 99	1 371	389	-1 261	5 265	707	-2 707	4 545
			Switzerland	61 789	9 751	-3 127	12 571	6 551	1 177	-4 279	45 660
	North America			9 173	4 611	7 090	33 164	14 868	14 770	43 867	16 794
		Canada		9 173	4 611	7 090	33 164	14 868	14 770	43 867	16 794
	Other developed countries			-3 123	13 754	8 784	20 766	3 667	25 556	22 679	33 903
		Australia		6 490	6 594	3 422	3 099	-5 253	2 174	5 961	4 574
		Bermuda		-6 467	- 91	-3 470	- 597	-5 380	7 047	-4 839	4 522
		Israel		- 86	636	184	593	234	..	..	2 016
		Japan		-3 132	6 500	8 544	17 489	14 200	16 466	21 134	22 321
		New Zealand		72	115	104	182	- 134	- 131	423	470
Developing economies				12 768	10 766	14 497	1 185	8 348	14 270	24 638	21 339
	Africa			- 308	- 9	- 34	- 605	323	255	- 103	959
		North Africa		16	- 17	- 13	- 12	25	- 118	94	- 30

	Algeria	-	-	-	..	..	- 4	- 3	6	-
	Egypt	16	- 16	- 18	- 7	25	- 112	96	- 33	
	Libya	-	-	-	-	-	- 1	1	- 2	
	Morocco	-	-	9	- 9	-	-	-	-	-
	Tunisia	-	- 1	- 4	4	-	- 1	..	- 1	
Other Africa		- 324	5	41	75	- 293	336	- 204	941	- 3
	Angola	- 3	-	1	..	- 13	41	- 69	77	
	Burkina Faso	-	-	-	-	-	-	-	-	
	Cameroon	-	-	-	-	1	-	-	- 5	
	Congo	- 1	1	-	- 5	1	-	2	1	-
	Côte d' Ivoire	-	- 1	- 1	- 27	..	78	- 84	..	
	Equatorial Guinea	-	- 9	- 12	25	2	..	- 7	- 4	
	Ethiopia	-	-	-	-	-	-	-	- 1	
	Gabon	1	1	- 1	3	- 1	-	1	- 4	-
	Ghana	-	- 3	3	- 1	-	- 2	4	- 8	
	Guinea	5	..	..	26	38	..	..	..	-

Table 1. FDI flows in the host economy, by geographical origin *(continued)*

(Millions of US dollars)

Region / economy		2001	2002	2003	2004	2005	2006	2007	2008	200
	Kenya	- 1	1	-	-	-	-	-	-	-
	Liberia	- 312	87	74	152	- 78	61	137	54	- 10
	Madagascar	2	-	-	-	-	-	-	1	
	Mauritius	87	..	..	1	- 16	-	129	297	
	Mozambique	-	-	-	-	-	-	- 1	-	
	Nigeria	-	-	21	..	- 4	25	21	87	

		South Africa	- 104	- 71	- 44	- 100	- 226	131	- 325	438	- 21
		Zambia	-	-	-	-	-	-	- 2	2	
		Zimbabwe	2	-	-	-	-	-	-	-	
Asia			-1 646	335	1 832	4 116	5 718	9 203	17 416	15 873	2 55
	East Asia		- 176	327	420	3 428	2 397	3 780	5 399	2 919	32
		China	247	- 120	- 62	150	146	315	8	500	50
		Hong Kong, China	57	711	- 41	1 880	838	97	370	444	- 1
		Korea, Republic of	24	- 280	386	1 143	1 039	3 283	4 751	1 440	23
		Macao, China	-	-	..	21	..	- 63	..	..	
		Mongolia	- 1	- 1	1	-	-	- 1	1	- 2	-
		Taiwan Province of China	- 503	17	136	234	374	149	269	537	- 40
	South-East Asia		-1 342	- 519	1 096	268	884	2 437	6 066	10 272	1 53
		Brunei Darussalam	- 3	..	- 1	1	-	-	- 3	-	
		Cambodia	-	-	-	-	-	-	-	-	-
		Indonesia	35	- 6	19	- 9	16	..	33	- 18	16
		Malaysia	86	- 37	- 49	17	96	28	37	22	- 3
		Philippines	- 21	17	- 19	- 5	- 17	54	30	- 65	7
		Singapore	-1 451	- 484	1 096	348	798	2 217	5 892	10 471	1 32
		Thailand	8	- 9	51	- 87	- 1	136	69	- 147	1
		Viet Nam	4	-	- 1	4	- 8	1	8	9	
	South Asia		170	- 16	126	280	867	448	737	1 243	49
		Afghanistan	-	-	-	-	-	-	-	1	
		Bangladesh	2	-	-	-	-	1	-	1	
		India	162	- 16	125	277	868	443	731	1 231	49
		Pakistan	-	..	..	..	4	3	6	4	
		Sri Lanka	6	..	1	3	- 5	1	-	6	-
	West Asia		- 298	543	190	140	1 570	2 538	5 214	1 439	20
		Bahrain	-	149	..	- 12	..	- 47	- 16	25	- 1
		Iraq	-	-	1	- 1	-	- 4	4	2	

	Jordan	11	..	..	..	..	..	2	2	-
	Kuwait	38	51	..	121	..	313	- 115	- 538	- 1
	Lebanon	-	-	-	-	- 6	- 1	..	- 1	
	Oman	-	..	- 1	1	-	- 1	- 2	- 4	
	Qatar	- 1	..	- 2	5	44	-	595	564	17
	Saudi Arabia	- 355	-	..	29	..	..	..	- 224	
	Turkey	17	41	- 19	20	5	34	18	..	
	United Arab Emirates	- 19	6	4	- 23	..	1 064	..	1 617	15
	Yemen	-	..	..	..	- 2	..	- 1	- 2	
Latin America and the Caribbean		14 700	10 433	12 656	-2 349	2 211	4 761	7 324	4 300	6 90
South America		-1 183	1 238	- 535	1 490	1 309	-1 715	-1 546	- 451	-1 42
	Argentina	- 172	581	- 352	- 49	- 94	107	- 53	182	- 36
	Bolivia, Plurinational State of	-	- 2	1	1	-	2	-	3	-
	Brazil	- 290	342	- 334	668	985	- 468	492	278	-1 53
	Chile	- 204	189	29	27	73	144	- 3	- 89	- 3
	Colombia	- 57	-	84	241	228	277	118	388	22
	Ecuador	5	- 3	3	-	- 15	5	- 9	- 10	3
	Paraguay	- 1	1	-	-	- 1	..	..	-	-
	Peru	- 124	..	..	..	- 119	- 461	53	48	7
	Suriname	-	-	-	-	-	-	-	-	
	Uruguay	8	7	120	- 22	- 56	41	- 112	214	2
	Venezuela, Bolivarian Rep. of	- 347	123	- 86	624	308	-1 362	-2 032	-1 465	15
Central America		- 422	4 211	5 184	761	761	3 870	1 314	989	2 55
	Belize	-	-	-	-	4	2	5	..	-
	Costa Rica	- 4	- 5	- 2	- 1	- 111	4	- 10	80	- 1
	El Salvador	- 1	- 3	10	- 15	- 4	-	- 7	9	-
	Guatemala	- 4	..	345	..	..	- 13	18	- 31	- 4
	Honduras	1	-	- 6	3	- 4	- 6	- 6	12	
	Mexico	- 716	2 349	2 173	- 629	- 19	2 265	291	731	2 46
	Nicaragua	5	- 1	..	..	..	..	..	..	

Table 1. FDI flows in the host economy, by geographical origin *(concluded)*

(Millions of US dollars)

Region / economy			2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
		Panama	297	1 871	2 664	1 403	895	1 618	1 023	188	144	- 554	100	- 132
	Caribbean		16 306	5 972	8 047	-5 264	131	2 595	7 608	3 704	5 813	6 213	12 754	7 308
		Anguilla	-	-	-	-	-	-	-	-	..	- 4	-	-
		Aruba	-	-	-	-	- 1	1	- 1	..	..	- 2	- 2	-
		Bahamas	- 44	- 346	- 70	59	- 598	150	94	- 473	450	- 578	- 2	..
		Barbados	3 075	4 169	4 699	- 861	- 992	- 354	-3 135	- 855	2 731	- 767	312	-
		British Virgin Islands	12 961	2 094	3 757	-3 936	- 42	3 845	8 302	3 674	2 481	6 819	12 229	7 689
		Dominican Republic	- 28	16	- 41	- 10	22	- 126	- 47	30	68	- 76	- 29	-
		Haiti	-	1	-	-	-	-	-	-	-	-	-	-
		Jamaica	-	..	1	- 10	10	- 6	12	- 2	- 1	4	9	-
		Netherlands Antilles	468	- 97	- 330	- 578	1 723	- 919	2 333	1 338	169	709	-	-
		Saint Kitts and Nevis	-	-	-	-	-	-	-	-	-	-	- 1	-
		Trinidad and Tobago	-	..	22	76	8	11	56	- 19	- 55	107	64	-
	Oceania			..	- 2	1	2	1	1	-	..	..	1	3
		French Polynesia	-	- 1	1	-	-	2	-	-	-	-	-	-
		Marshall Islands	1	..	..	..	..	..	-	..	..	1	3	-
		Papua New Guinea	- 2	- 1	-	2	-	-	-	-	-	-	-	-
Transition economies			4	- 160	- 2	- 1	140	286	- 30	2 771	- 752	-1 898	- 71	-
	South-East Europe		-	-	- 2	2	- 1	- 2	-	1	-	1	-	-
		Serbia and Montenegro	-	-	- 1	-	-	-	-	-	-	-	-	-

CIS			4	- 160	..	- 3	141	288	- 30	2 770	- 752	-1 899	- 71
	Azerbaijan	- 1	- 4	- 2	- 3	..	- 3	- 6	14	..	..	..	-
	Belarus	-	-	-	-	-	-	-	-	- 1	- 1	- 1	-
	Kazakhstan	- 1	-	1	1	-	- 16	- 22	..	..	4	9	-
	Russian Federation	6	- 155	..	..	142	305	..	2 756	- 746	-1 906	- 80	-
Unspecified		6 566	- 42	-2 646	-1 687	451	2 927	4 710	628	11	- 184	-1 973	-3 926

Table 5: FDIs inflows, United States

Source: UNCTAD (2018) FDI/TNC database, based on data from the Ministry of Commerce (MOFCOM).

Example- Multinational companies – **FDI outflows: Case of United States**

United States

Table 2. FDI flows abroad, by geographical destination

(Millions of US dollars)

Region / economy	2001	2002	2003	2004	2005	2006	2007	2008	2009
World	124 873	134 946	129 352	294 905	15 369	224 220	393 518	308 296	26 95
Developed economies	83 265	115 404	110 196	176 202	-9 692	169 179	294 725	202 752	21 25
Europe	63 745	79 538	86 848	134 515	-31 691	143 375	231 145	174 503	15 66
European Union	58 846	70 723	71 339	121 860	-24 662	131 160	221 357	146 398	14 07
Austria	1 314	564	1 609	44	-7 685	1 085	1 079	1 327	1 41

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Belgium	4 126	2 195	721	6 367	7 697	3 864	7 562	4 415	3 98
Bulgaria	2	9	8	135	1	- 108	409	- 76	8
Croatia	12	23	- 80	21	- 1	- 1	22	- 1	7
Cyprus	203	- 61	17	47	191	133	..	..	
Czech Republic	238	44	172	239	428	69	172	763	- 9
Denmark	256	1 538	-1 602	843	732	- 390	837	1 231	- 23
Estonia	13	- 10	1	1	- 1	- 1	-	- 5	
Finland	179	76	221	333	- 6	488	- 99	188	- 6
France	476	4 604	1 074	6 988	-1 156	7 076	12 010	- 341	1 75
Germany	11 823	2 416	4 376	9 073	7 978	2 703	9 569	775	7 03
Greece	62	170	44	503	159	292	- 201	72	- 24
Hungary	86	417	235	166	173	698	1 596	- 13	11
Ireland	2 437	10 700	7 408	8 781	-15 041	20 148	15 506	31 795	2 02
Italy	1 767	1 230	2 862	3 284	-1 155	2 891	3 704	2 241	2 00
Latvia	- 12	-	-	27	- 16	8	3	- 183	- 4
Lithuania	..	-	-	..	..	10	3	3	
Luxembourg	20 402	10 485	8 080	3 178	-8 797	17 359	24 535	27 079	2 07
Malta	..	-	-	..	9	- 20	..	..	13
Netherlands	12 025	14 790	15 502	31 455	-19 284	41 118	109 097	38 639	5 47
Poland	- 93	140	204	1 190	-	590	1 612	- 634	59
Portugal	252	462	- 585	234	426	602	157	244	- 24
Romania	33	57	65	131	55	11	254	129	31
Slovakia	575	108	175	- 10	- 139	101	195	148	5
Slovenia	22	- 51	4	..	..	- 156	16	23	-
Spain	1 642	3 032	1 820	2 111	3 616	- 561	8 758	4 749	35
Sweden	-6 883	2 520	2 270	4 360	875	2 616	2 364	4 056	-1 12

		United Kingdom	7 890	15 265	26 738	42 359	6 269	30 535	21 978	29 615	2 63
	Other developed Europe		4 899	8 815	15 509	12 655	-7 029	12 215	9 788	28 105	1 59
		Gibraltar	..	-	57	154	258	560	1 401	2 821	1 02
		Iceland	- 14	- 28	-	3	2	..	..	..	
		Liechtenstein	37	97	29	17	62	- 55	51	- 32	
		Monaco	-	-	-	-	-	-	7	- 3	
		Norway	706	822	961	246	1 194	691	964	151	1 16
		Switzerland	4 170	7 924	14 462	12 235	-8 545	11 019	7 365	25 168	1 41
	North America		16 841	15 003	17 340	24 005	13 556	-1 551	22 331	12 293	1 17
		Canada	16 841	15 003	17 340	24 005	13 556	-1 551	22 331	12 293	1 17
	Other developed countries		2 679	20 863	6 008	17 682	8 443	27 355	41 249	15 956	4 41
		Australia	- 751	8 036	7 717	..	..	1 473	10 122	10 158	2 77
		Bermuda	7 007	4 313	-3 778	4 365	-1 000	19 944	14 785	7 824	2 96
		Israel	1 000	202	1 263	531	3 058	2 416	554	536	- 44
		Japan	-4 731	8 711	867	12 787	5 940	2 709	15 721	-1 656	9 60
		New Zealand	155	- 398	- 60	..	446	814	67	- 906	51
Developing economies			39 895	19 825	18 579	116 114	22 588	51 016	93 940	101 847	5 38
	Africa		2 439	- 578	2 697	1 612	2 564	5 157	4 490	3 837	9 44
		North Africa	2 055	- 100	1 132	288	2 376	3 248	2 691	1 322	2 05
		Algeria	1 416	- 244	636	- 205	1 079	1 781	1 117	- 401	59
		Egypt	578	127	470	447	1 112	54	996	1 617	1 52
		Libya	2	2	4	- 6	178	1 493	371	..	
		Morocco	60	- 5	18	- 8	- 22	- 37	96	34	2
		Sudan	1	1	- 2	1	1	1	-	-	
		Tunisia	- 2	19	6	59	28	- 44	111	72	- 8

Other Africa		34	- 563	1 536	1 234	- 410	2 146	1 700	1 139	6 71
	Angola	342	- 263	- 36	- 22	98	280	- 99	789	7
	Botswana	6	5	- 9	3	..	..	..	2	
	Burkina Faso	- 1	- 1	-	- 3	-	-	-	-	
	Cameroon	- 120	- 6	163	- 32	36	- 11	- 52	2	-
	Congo	- 8	5	- 70	25	- 57	134	- 15	..	
	Congo, Democratic Rep. of	- 16	- 36	- 26	21	- 15	- 18	..	..	

Table 2. FDI flows abroad, by geographical destination *(continued)*

(Millions of US dollars)

Region / economy		2001	2002	2003	2004	2005	2006	2007	2008	2009
	Côte d' Ivoire	- 64	40	20	60	54	- 23	- 88	- 166	-
	Equatorial Guinea	114	- 460	1 025	- 420	324	678	- 93	- 913	34
	Eritrea	- 15	- 15	- 14	- 16	- 4	-	-	-	
	Ethiopia	1	2	1	1	- 2	1	-	-	
	Gabon	2	- 182	11	61	- 166	- 17	130	- 439	
	Ghana	91	- 31	4	120	- 4	729	..	..	
	Kenya	..	-	7	- 7	40	- 109	2	7	4
	Liberia	- 60	- 260	47	62	149	- 128	207	61	5
	Madagascar	-	-	-	- 11	- 11	- 11	- 12	- 9	-
	Malawi	- 3	- 2	-	2	- 5	-	- 1	- 2	-
	Mali	-	- 5	-	..	-	-	-	-	
	Mauritania	-	-	-	-	- 4	-	-	-	
	Mauritius	29	- 121	- 13	184	- 20	323	1 326	- 265	81
	Mozambique	8	3	1	..	..	4	- 3	- 2	
	Niger	- 1	- 1	- 1	2	- 2	-	-	-	
	Nigeria	- 192	588	173	676	- 846	144	- 596	1 772	5 00
	Rwanda	-	-	-	1	1	1	1	1	
	Senegal	3	1	- 11	- 6	- 14	1	- 3	- 6	- 1

			Seychelles	-	20	-	..	..	..	-	..	
			Sierra Leone	1	1	2	- 1	- 1	-	-	-	
			South Africa	- 86	125	232	480	82	159	1 000	306	41
			Swaziland	- 10	-	-	..	..	..	..	..	
			Uganda	- 1	2	-	- 4	1	1	..	..	
			United Rep. of Tanzania	- 21	- 3	- 7	- 3	- 6	..	..	..	
			Zambia	2	- 5	- 4	- 3	-	15	5	- 1	
			Zimbabwe	33	37	42	-	..	..	..	..	
Asia				18 589	8 655	8 579	13 594	16 289	29 163	48 406	41 974	1 42
	East Asia			8 935	4 416	2 674	8 839	8 330	13 149	19 335	23 126	1 00
			China	1 912	875	1 273	4 499	1 955	4 226	5 243	15 971	-8 52
			Hong Kong, China	4 787	1 226	- 689	..	4 688	4 174	11 533	- 325	8 09
			Korea, Republic of	1 206	1 681	1 231	4 340	1 687	2 518	821	2 157	3 01
			Macao, China	3	-	-	..	..	..	687	1 174	-1 76
			Mongolia	-	-	-	-	-	-	-	- 4	-
			Taiwan Province of China	1 027	634	859	..	..	2 231	1 051	4 153	20
	South-East Asia			8 835	663	5 232	1 294	5 930	10 292	17 864	11 087	6 50
			Brunei Darussalam	- 15	- 17	4	- 5	- 18	53	5	1	-
			Cambodia	-	-	-	1	-	-	-	-	
			Indonesia	985	-	-	..	..	771	2 925	1 750	60
			Malaysia	17	- 609	416	..	2 040	866	2 062	819	33
			Myanmar	..	-	-	..	1	-	-	-	-
			Philippines	970	- 669	- 22	555	- 126	- 165	-2 274	19	5
			Singapore	5 593	530	5 446	..	3 206	8 035	14 003	8 572	4 31
			Thailand	1 286	1 433	- 627	691	789	695	1 198	- 97	1 16
			Viet Nam	- 1	- 5	15	52	38	37	- 55	23	4
	South Asia			302	981	539	1 239	1 106	2 187	3 951	4 362	2 18

	Bangladesh	7	28	- 22	- 2	103	174	29	28	
	India	214	919	354	1 138	721	1 834	3 915	4 310	2 01
	Iran, Islamic Republic of	1	1	1	..	..	..	..	- 1	-
	Maldives	- 2	-	-	1	-	-	-	-	
	Nepal	-	-	-	- 1	- 1	- 1	- 1	1	-
	Pakistan	66	46	191	108	275	161	..	..	15
	Sri Lanka	15	- 14	14	- 5	8	19	8	24	2
West Asia		517	2 595	134	2 222	923	3 535	7 256	3 399	5 71
	Bahrain	- 17	13	60	27	- 45	- 102	- 85	- 19	- 36
	Iraq	-	-	53	..	..	..	..	..	
	Jordan	..	-	-	..	6	37	79	32	
	Kuwait	381	-	-	..	..	..	..	..	- 17
	Lebanon	16	2	19	38	- 2	- 26	22	24	3
	Oman	57	- 46	163	..	..	..	..	..	
	Qatar	164	677	665	1 184	1 034	695	2 181	..	
	Saudi Arabia	- 319	1 505	-1 245	-1 007	- 209	768	560	341	3 08
	Syrian Arab Republic	..	-	-	..	..	- 59	1	-	
	Turkey	121	239	83	215	196	252	3 740	218	40
	United Arab Emirates	98	400	186	1 345	- 64	1 322	255	286	1 02

Table 2. FDI flows abroad, by geographical destination *(concluded)*

(Millions of US dollars)

Region / economy		2001	2002	2003	2004	2005	2006	2007	2008	2009
	Yemen	15	8	66	- 20	- 90	497	35	- 115	6
Latin America and the Caribbean		18 684	10 879	7 679	28 053	1 075	15 729	40 539	55 388	3 63
South America		2 839	-3 631	466	4 424	5 347	6 584	12 754	11 205	9 36
	Argentina	- 511	-1 445	- 118	1 760	859	4 274	547	1 542	1 01

	Bolivia, Plurinational State of	30	- 39	12	- 139	- 18	- 11	24	73	20
	Brazil	113	- 266	- 290	2 644	1 400	223	5 585	3 825	2 99
	Chile	2 746	-1 507	202	912	- 425	451	4 402	3 099	1 25
	Colombia	- 224	- 88	504	20	1 196	855	404	1 900	88
	Ecuador	108	178	243	- 837	73	20	- 43	128	18
	Guyana	12	10	4	10	12	23	- 6	27	
	Paraguay	4	- 285	9	- 9	- 3	- 6	..	..	
	Peru	100	- 442	296	479	899	229	679	- 577	75
	Suriname	15	60	82	56	35	- 9	..	..	
	Uruguay	- 17	41	- 17	- 85	8	25	38	46	- 1
	Venezuela, Bolivarian Rep. of	461	150	- 462	- 389	1 312	508	1 044	1 115	2 09
Central America		14 401	8 529	4 192	8 874	8 873	10 990	13 808	8 653	9 04
	Belize	- 66	18	2	49	-	..	..	2	-
	Costa Rica	17	63	75	291	-1 017	1 412	172	574	- 18
	El Salvador	- 79	197	- 17	152	81	- 81	2 314	1 834	13
	Guatemala	- 366	- 50	10	44	- 18	- 5	169	659	8
	Honduras	- 157	22	83	193	88	36	71	173	
	Mexico	14 226	7 656	3 664	8 435	9 596	9 444	9 798	4 521	8 19
	Nicaragua	18	93	23	- 219	36	..	..	46	2
	Panama	808	530	353	- 71	106	214	1 218	845	77
Caribbean		1 444	5 985	2 921	14 755	-13 145	-1 845	13 977	35 530	1 22
	Anguilla	..	-	- 2	- 4	-	-	-	-	
	Antigua and Barbuda	22	4	- 4	2	2	6	5	5	
	Aruba	263	- 50	- 468	- 190	- 48	122	146	- 37	- 33
	Bahamas	- 840	1 096	268	1 175	1 338	- 383	1 686	-1 040	1 75
	Barbados	903	- 563	- 522	1 526	266	503	-3 595	1 047	83
	British Virgin Islands	-1 129	6 146	3 314	10 131	-12 586	-6 374	12 640	25 914	7 02
	Dominican Republic	217	- 3	- 99	24	- 175	- 4	22	- 124	31

			Haiti	- 11	21	10	7	22	35	33	- 1	- 4
			Jamaica	447	225	334	247	-2 441	- 82	- 267	173	- 25
			Netherlands Antilles	1 026	-1 109	- 17	1 702	477	3 488	2 584	8 132	1 94
			Saint Kitts and Nevis	-	-	-	-	37	..	..	-	
			Trinidad and Tobago	479	225	117	112	- 34	..	..	1 389	91
	Oceania			241	- 77	128	12	- 14	35	65	10	1
		Fiji		- 16	-	-	8	5	1	2	1	
		Marshall Islands		258	- 81	137	..	..	..	..	..	
		Nauru		1	1	1	1	1	1	-	-	
		Papua New Guinea		4	3	- 10	3	- 27	26	54	..	
		Solomon Islands		- 6	-	-	-	-	-	-	-	
		Vanuatu		..	-	-	..	7	7	9	9	1
Transition economies				1 637	- 315	587	2 538	2 465	3 227	4 393	2 680	37
	South-East Europe			10	- 1	- 6	- 4	25	6	5	13	9
		Albania		..	-	- 1	-	-	-	-	-	
		Bosnia and Herzegovina		10	-	-	..	..	- 2	- 1	- 1	
		Montenegro		-	-	-	1	1	1	1	1	
		Serbia		-	- 1	- 5	- 5	24	7	5	13	9
	CIS			1 627	- 314	593	2 542	2 440	3 221	4 388	2 667	27
		Armenia		-	-	-	1	1	1	1	1	
		Azerbaijan		120	681	207	864	330	1 114	1 313	..	
		Belarus		- 1	- 3	-	..	..	1	1	1	
		Kazakhstan		1 792	- 752	168	6	- 412	178	..	..	- 30
		Kyrgyzstan		- 1	- 1	- 1	- 1	- 1	- 1	-	-	
		Moldova, Republic of		-	-	-	1	1	1	1	1	
		Russian Federation		- 404	- 260	487	1 731	2 334	1 781	2 628	2 715	52
		Tajikistan		-	-	-	-	-	-	- 1	-	
		Ukraine		- 12	28	33	48	134	145	444	- 53	5
		Uzbekistan		..	- 7	- 13	..	..	..	..	..	
	Georgia			..	-	- 288	- 10	52	..	..	1	

Unspecified	76	32	- 10	51	8	798	460	1 017	- 6

Table 6: FDIs outlows, United States

Source: UNCTAD (2018) FDI/TNC database, based on data from the Ministry of Commerce (MOFCOM).

Example- Multinational companies – **FDI in stock: Case of United States**

United States

Table 3. FDI stock in the host economy, by geographical origin

(Millions of US dollars)

Region / economy	2001	2002	2003	2004	2005	2006	2007
World	1 343 987	1 327 170	1 395 159	1 520 316	1 634 121	1 840 463	1 993 156
Developed economies	1 264 389	1 240 418	1 303 643	1 427 490	1 549 853	1 733 052	1 886 496
Europe	992 021	951 465	999 888	1 076 245	1 150 874	1 315 191	1 414 348
European Union	859 721	829 089	868 977	943 077	999 275	1 165 558	1 248 161
Austria	2 743	3 596	3 606	3 572	2 425	2 305	4 410
Belgium	15 623	9 777	11 239	12 581	10 024	11 691	23 471
Croatia	1	2	2	3	2	2	3
Cyprus	14	-	..	..	..	..	582
Czech Republic	- 9	11	10	53	54	29	13
Denmark	1 857	4 215	4 531	5 064	6 117	6 726	5 761
Estonia	1	1	-	-	-	-	- 4
Finland	7 620	6 133	5 300	5 639	5 938	7 129	5 308
France	154 984	133 914	136 434	137 927	114 260	147 799	141 487
Germany	162 314	138 301	160 691	164 921	177 176	205 969	187 815

		Greece	462	526	962	1 120	1 302	..	445
		Hungary	17 805	18 779	16 554	17 154	19 123	24 020	47 509
		Ireland	25 632	27 302	23 346	16 446	17 465	25 517	26 089
		Italy	6 826	6 830	6 944	6 889	7 725	9 299	13 762
		Latvia	-	-	-	- 1	- 1	- 1	-
		Lithuania	-	-	-	-	..	..	- 5
		Luxembourg	95 299	97 416	109 212	116 479	79 680	89 157	123 389
		Malta	- 6	..	..	..	..	..	6
		Netherlands	145 554	145 596	146 601	159 601	156 602	182 014	184 613
		Poland	- 27	- 13	17	18	1	4 199	..
		Portugal	- 99	- 113	- 139	- 161	- 158	..	119
		Romania	..	-	..	2	- 3	- 3	..
		Slovakia	-	2	-	- 4	1	..	3
		Slovenia	13	..	-	-	-	8	..
		Spain	4 659	4 612	5 670	5 818	7 472	13 969	25 908
		Sweden	20 804	20 504	20 156	22 292	22 269	20 098	45 811
		United Kingdom	197 651	211 699	217 841	267 209	371 350	414 629	405 543
	Other developed Europe		132 300	122 376	130 911	133 168	151 599	149 633	166 187
		Gibraltar	..	-	..	..	..	4 307	..
		Iceland	..	..	2 232	7 868	8 110	..	8 685
		Liechtenstein	248	224	229	273	292	316	454
		Monaco	-	-	-	-	-	-	- 1
		Norway	2 574	3 810	4 203	2 862	9 810	10 442	7 317
		Switzerland	129 478	118 342	124 247	122 165	133 387	134 568	149 732
North America			92 420	92 529	95 707	125 276	165 667	165 281	201 924
	Canada		92 420	92 529	95 707	125 276	165 667	165 281	201 924
Other developed countries			179 948	196 424	208 048	225 969	233 312	252 580	270 224
	Australia		19 465	34 197	37 059	40 107	36 392	38 777	35 595
	Bermuda		7 316	11 215	9 854	6 626	2 147	9 223	4 713
	Israel		2 882	3 101	3 316	3 921	4 231	..	6 312

	Japan		149 859	147 372	157 176	174 490	189 851	204 020	222 695
	New Zealand		426	538	642	824	690	559	908
Developing economies			72 745	80 027	90 329	90 451	81 264	96 075	99 930
Africa			2 346	2 228	2 196	1 859	2 341	1 976	1 034
	North Africa		- 10	- 25	- 8	- 22	-	- 118	- 60
		Algeria	-	-	-	..	-	- 4	- 7
		Egypt	12	- 1	- 18	- 27	- 5	- 117	- 53
		Libya	-	-	-	-	-	- 1	-
		Morocco	- 23	- 24	14	5	5	5	..
		Tunisia	1	-	- 4	-	-	- 1	..
	Other Africa		2 227	2 176	2 172	2 380	2 263	1 877	1 042
		Angola	- 9	-	..	- 22	- 36	6	- 64
		Burkina Faso	-	-	-	-	-	-	-
		Cameroon	-	-	-	-	-	-	-
		Congo	- 2	-	-	- 5	- 4	- 4	- 2
		Congo, Democratic Rep. of	2	-	-	-	-	-	-
		Côte d' Ivoire	-	- 1	- 3	- 30	..	..	..
		Ethiopia	-	-	-	-	-	-	-
		Gabon	-	1	-	3	2	2	3

Table 3. FDI stock in the host economy, by geographical origin *(continued)*

(Millions of US dollars)

Region / economy		2001	2002	2003	2004	2005	2006	2007
	Ghana	- 1	- 4	- 1	- 2	- 2	- 4	-
	Guinea	6	-	..	..	..	..	..
	Kenya	-	-	-	-	-	-	-
	Liberia	1 614	1 655	1 730	2 062	1 805	1 227	608
	Malawi	-	-	-	-	-	-	-
	Mali	-	-	-	-	-	-	- 1

			Mauritania	-	-	- 1	3	5	5	-
			Mauritius	..	-	..	..	..	..	189
			Mozambique	-	-	-	-	-	-	- 1
			Niger	-	-	-	-	-	-	- 2
			Nigeria	39	42	63	..	..	..	77
			Sierra Leone	-	-	-	-	-	-	-
			South Africa	576	482	382	372	493	643	239
			Swaziland	-	-	-	- 3	- 2	-	-
			Uganda	2	2	2	2	2	2	-
			United Rep. of Tanzania	-	-	-	-	-	-	-
			Zambia	-	-	-	-	-	-	- 2
			Zimbabwe	-	-	-	-	-	-	-
	Asia			12 808	14 000	13 694	18 710	23 658	36 381	44 589
		East Asia		7 358	7 892	6 564	11 656	13 950	17 337	20 795
			China	535	385	284	435	574	785	584
			Hong Kong, China	1 292	2 005	1 984	2 744	3 467	2 992	3 809
			Korea, Republic of	3 011	2 932	1 409	5 270	6 077	9 459	11 939
			Macao, China	1	1	..	..	103	40	..
			Mongolia	- 1	- 2	- 1	- 2	- 2	- 3	- 2
			Taiwan Province of China	2 520	2 571	2 888	3 209	3 731	4 064	4 465
		South-East Asia		1 786	2 083	2 725	2 284	3 973	7 287	13 182
			Brunei Darussalam	..	..	..	..	..	..	- 3
			Cambodia	-	-	-	-	-	-	-
			Indonesia	57	40	58	49	65	..	106
			Lao People's Dem. Rep.	4	4	4	4	4	4	-
			Malaysia	340	336	292	327	420	488	464
			Myanmar	-	-	-	- 1	- 1	-	-
			Philippines	27	43	24	19	2	55	125
			Singapore	1 221	1 530	2 166	1 733	3 338	6 458	12 151
			Thailand	140	134	185	153	153	289	334

		Viet Nam	- 3	- 4	- 4	-	- 8	- 7	5
	South Asia		269	228	383	630	1 498	1 440	1 731
		Afghanistan	..	..	..	..	..	..	-
		Bangladesh	4	1	1	1	1	2	-
		India	258	227	352	629	1 497	1 438	1 671
		Pakistan	..	..	30	..	..	..	52
		Sri Lanka	7	..	..	..	..	..	8
	West Asia		3 395	3 797	4 022	4 140	4 237	10 317	8 881
		Bahrain	37	184	..	..	267	187	214
		Iraq	-	-	1	-	-	- 4	-
		Jordan	9	..	..	..	..	..	..
		Kuwait	964	-	..	..	568	893	855
		Lebanon	1	-	-	-	- 6	- 7	..
		Oman	..	..	..	..	..	..	- 5
		Qatar	36	..	..	..	..	..	..
		Syrian Arab Republic	1	-	-	-	-	-	-
		Turkey	195	228	161	162	162	205	165
		United Arab Emirates	45	42	46	23	..	..	1 039
Latin America and the Caribbean			57 526	63 652	74 280	69 642	55 028	57 360	54 157
	South America		4 484	6 322	5 761	6 916	7 950	7 210	7 322
		Argentina	402	989	599	466	364	338	339
		Brazil	596	923	548	1 195	2 051	1 054	2 091
		Chile	- 186	29	70	70	143	288	318
		Colombia	- 80	-	..	..	..	..	481
		Ecuador	33	28	30	30	13	19	13
		Guyana	- 1	- 1	- 1	- 1	- 1	- 1	- 1
		Paraguay	- 1	-	-	-	-	..	- 2
		Peru	- 137	-	..	..	..	..	-
		Suriname	-	-	-	-	-	-	6

Table 3. FDI stock in the host economy, by geographical origin *(concluded)*

(Millions of US dollars)

Region / economy			2001	2002	2003	2004	2005	2006	2007
		Uruguay	48	52	167	147	88	130	24
		Venezuela, Bolivarian Rep. of	3 814	4 304	4 349	5 009	5 292	5 380	4 051
	Central America		11 013	13 662	17 891	17 976	14 446	17 101	9 402
		Belize	-	-	-	-	5	6	..
		Costa Rica	- 3	- 8	- 10	- 11	- 122	- 118	- 114
		El Salvador	2	1	11	- 4	- 8	- 8	- 20
		Guatemala	- 14	-	..	..	..	..	11
		Honduras	- 2	-	- 6	- 3	- 7	- 13	- 19
		Mexico	6 645	7 829	9 022	7 592	3 595	5 310	8 478
		Nicaragua	-	- 1	..	- 6	..	..	..
		Panama	4 385	5 841	8 874	10 408	10 983	11 924	1 066
	Caribbean		42 028	44 792	51 370	44 642	32 521	33 189	37 472
		Anguilla	1	-	-	-	-	-	-
		Antigua and Barbuda	20	3	3	3	3	3	3
		Aruba	14	-	..	..	..	..	3
		Bahamas	1 203	1 299	1 227	1 122	650	513	760
		Barbados	10 818	15 063	20 219	18 109	3 062	- 455	-3 997
		British Virgin Islands	25 620	24 255	26 202	21 702	23 063	28 367	34 353
		Dominican Republic	50	58	11	-	22	- 105	- 162
		Haiti	- 1	1	1	1	1	1	-
		Jamaica	..	- 4	- 3	- 14	- 4	- 9	3
		Netherlands Antilles	4 384	4 034	3 597	3 532	5 531	4 675	6 253
		Saint Kitts and Nevis	-	-	-	-	-	-	1
		Trinidad and Tobago	..	40	62	138	145	157	171
Oceania			10	3	4	6	7	8	20
	Fiji		-	-	-	-	1	-	-

		French Polynesia	1	- 1	-	-	-	2	2
		Marshall Islands	3	..	..	..	..	..	3
		Papua New Guinea	1	- 1	- 1	1	1	1	2
		Samoa	-	-	-	-	-	-	13
		Vanuatu	5	5	5	5	5	5	..
Transition economies			55	122	- 2	415	515	742	4 962
	South-East Europe		3	6	4	4	3	1	- 2
		Albania	-	-	-	1	-	-	-
		Serbia	-	3	2	3	3	1	- 1
		Serbia and Montenegro	3	3	2	-	-	-	-
		The FYR of Macedonia	-	-	-	-	-	-	- 1
	CIS		52	116	- 6	411	512	741	4 964
		Armenia	-	-	-	-	-	-	-
		Azerbaijan	- 1	- 4	- 6	- 9	..	..	..
		Belarus	..	-	..	..	..	..	-
		Kazakhstan	- 1	- 1	-	1	2	- 15	- 37
		Russian Federation	52	122	..	419	511	756	5 003
		Ukraine	2	-	-	-	1	-	- 1
		Uzbekistan	-	-	-	-	-	-	- 1
	Georgia		-	- 1	-	-	-	-	-
Unspecified			6 798	6 603	1 189	1 960	2 489	10 594	1 768

Table 7: FDIs stock in, United States

Source: UNCTAD (2018) FDI/TNC database, based on data from the Ministry of Commerce (MOFCOM).

Example - Multinational companies – **FDI out stock: Case of United States**

			2001	2002	2003	2004	2005	2006	2007	2008	20
			1 460	1 616	1 769	2 160	2 241	2 477	2 993	3 232	3
			352	548	613	844	656	268	980	493	
			1 093	1 220	1 354	1 560	1 705	1 878	2 294	2 464	2
Developed economies			210	424	057	659	580	122	544	423	
			762	849	964	1 163	1 190	1 372	1 647	1 804	1
Europe			248	284	476	076	509	347	625	027	
			693	767	863	1 030	1 079	1 257	1 525	1 626	1
	European Union		600	923	024	733	384	767	334	439	
		Austria	3 964	4 011	6 366	9 264	11 236	14 897	14 646	13 546	10
		Belgium	22 589	25 727	27 415	41 840	49 306	51 862	62 491	65 279	46
		Bulgaria	107	142	186	386	342	232	662	527	
		Croatia	50	78	38	62	61	61	83	88	
		Cyprus	292	238	257	12	248	597	..	1 250	1
		Czech Republic	1 179	1 264	1 668	2 444	2 729	3 615	4 066	5 053	5
		Denmark	5 160	6 184	5 597	6 815	6 914	5 849	8 950	10 481	13
		Estonia	37	33	15	27	28	30	32	12	
		Finland	1 686	1 722	1 677	2 208	1 950	2 107	2 202	2 012	1
		France	40 125	43 348	51 229	63 359	60 526	63 008	74 179	84 409	90
		Germany	63 396	61 073	72 262	79 467	100 473	93 620	100 601	107 833	110
		Greece	835	981	1 431	1 899	1 884	1 804	2 179	2 092	1
		Hungary	2 033	2 503	2 856	3 024	2 795	2 602	6 457	3 737	4
		Ireland	39 541	51 598	60 604	72 907	55 173	86 372	117 708	150 131	129
		Italy	22 883	23 771	23 092	25 184	24 528	25 435	28 216	27 663	29

		Latvia	- 2	-	31	61	44	48	51	42	
		Lithuania	..	69	-	..	32	52	81	79	
		Luxembourg	50 771	62 181	68 298	83 634	79 937	125 146	144 180	172 251	219
		Malta	55	-	-	81	384	365	..	534	1
		Netherlands	147 687	158 415	186 366	219 384	240 205	279 373	412 122	423 059	497
		Poland	4 573	4 231	4 382	7 256	5 575	6 934	15 614	12 489	13
		Portugal	2 746	3 093	2 402	1 915	2 138	2 832	2 991	3 006	2
		Romania	277	332	431	570	597	875	1 061	1 349	1
		Slovakia	749	823	1 014	379	250	343	687	703	
		Slovenia	89	39	38	..	166	134	156	331	
		Spain	28 174	38 001	41 119	48 409	50 197	49 356	61 093	54 194	58
		Sweden	26 374	30 114	27 004	29 730	30 153	33 857	36 615	35 876	36
		United Kingdom	228 230	247 952	277 246	330 416	351 513	406 358	426 357	448 412	495
	Other developed Europe		68 648	81 361	101 452	132 343	111 125	114 580	122 291	177 588	181
		Gibraltar	..	565	625	1 768	1 584	2 643	15 081	19 347	25
		Iceland	12	4	5	10	10	..	..	..	
		Liechtenstein	422	518	561	284	306	248	300	269	
		Monaco	-	-	-	-	-	-	47	44	
		Norway	4 446	6 045	7 511	8 491	8 533	9 667	12 188	24 706	24
		Switzerland	63 768	74 229	92 750	121 790	100 692	102 022	94 675	133 222	131
	North America		152 601	166 473	187 953	214 931	231 836	205 134	250 642	246 483	274
		Canada	152 601	166 473	187 953	214 931	231 836	205 134	250 642	246 483	274
	Other developed countries		178 361	204 667	201 628	182 652	283 235	300 641	396 277	413 913	500
		Australia	27 778	39 074	48 447	..	75 669	67 632	84 331	92 668	106
		Bermuda	84 969	89 473	84 508	100 856	113 222	133 480	211 708	207 547	287
		Israel	5 690	5 726	7 020	6 171	7 978	9 168	9 487	9 444	9
		Japan	55 651	66 468	57 794	71 005	81 175	84 428	85 224	99 803	91
		New Zealand	4 273	3 926	3 859	4 620	5 191	5 933	5 527	4 451	6
Developing economies			359 095	387 900	405 357	585 813	518 580	576 931	670 623	732 459	802
	Africa		15 574	16 040	19 835	20 356	22 756	28 158	32 607	36 746	43

North Africa		6 559	6 512	8 070	8 476	11 004	12 889	14 214	13 243	15
	Algeria	3 629	3 384	4 080	3 602	4 975	5 461	5 092	4 919	4
	Egypt	2 557	2 682	3 524	4 526	5 475	5 564	7 023	7 804	10
	Libya	52	53	56	58	247	1 664	1 676	..	
	Morocco	275	280	292	167	150	130	248	263	
	Sudan	14	14	3	3	3	3	-	-	
	Tunisia	32	99	115	120	154	67	175	257	
Other Africa		8 284	8 609	10 857	11 182	10 324	14 049	16 144	17 683	23
	Angola	1 220	1 110	1 067	1 206	1 197	1 540	1 633	2 645	2
	Botswana	17	21	3	11	..	..	19	22	
	Burkina Faso	1	-	-	-	-	-	-	-	
	Cameroon	148	135	242	264	122	114	73	68	
	Congo	126	116	45	169	135	330	316	..	
	Congo, Democratic Rep. of	96	70	55	65	51	21	..	..	

	2001	2002	2003	2004	2005	2006	2007	2008	20
Côte d' Ivoire	136	184	215	207	260	258	102	- 23	
Equatorial Guinea	2 316	3 080	3 188	1 448	1 774	2 864	2 984	3 186	2
Eritrea	- 17	- 32	- 53	4	-	-	-	-	
Ethiopia	40	50	50	7	6	2	2	2	
Gabon	555	344	370	483	121	113	249	- 87	
Ghana	297	266	250	223	220	974	..	..	1
Guinea	130	-	-	..	..	..	..	..	
Kenya	..	73	90	178	246	166	189	196	
Liberia	- 547	-1 344	273	403	390	556	703	797	
Madagascar	-	-	-	6	- 5	- 17	- 29	- 38	
Malawi	- 8	- 10	8	10	5	5	3	1	

		Mali	2	- 5	-	- 4	-	-	-	-	
		Mauritania	1	1	1	1	- 3	- 3	- 3	- 3	
		Mauritius	124	-	10	373	624	1 272	2 973	2 470	5
		Mozambique	8	12	13	..	-	6	5	5	
		Namibia	-	-	-	3	3	3	3	3	
		Niger	- 14	- 15	- 16	2	-	-	-	-	
		Nigeria	260	901	1 100	1 936	1 105	1 677	1 584	3 254	4
		Rwanda	-	-	-	1	1	1	1	1	
		Senegal	33	39	38	30	17	19	18	18	
		Seychelles	-	4	-	..	..	-	-	..	
		Sierra Leone	11	12	15	7	1	1	1	1	
		South Africa	3 070	3 334	3 580	3 913	3 969	3 980	5 240	4 999	5
		Swaziland	45	-	65	..	..	..	..	..	
		Togo	7	8	3	3	5	- 11	- 11	- 10	
		Uganda	2	4	4	7	9	10	..	..	
		United Rep. of Tanzania	21	22	18	22	21	..	..	..	
		Zambia	48	44	45	36	35	74	76	79	
		Zimbabwe	117	146	140	109	..	73	..	..	
Asia			146 820	161 203	162 261	176 403	226 879	260 612	289 119	309 566	323
	East Asia		63 856	72 899	72 733	68 138	89 547	110 652	111 306	137 152	149
		China	12 081	10 570	11 261	17 616	19 016	26 459	29 710	53 927	54
		Hong Kong, China	32 494	40 329	36 426	32 735	36 415	39 636	40 720	40 042	50
		Korea, Republic of	9 977	11 856	13 063	17 747	19 760	27 299	23 558	22 426	23
		Macao, China	3	-	-	40	..	259	1 511	2 707	1
		Mongolia	-	-	-	-	-	-	-	- 3	
		Taiwan Province of China	9 301	10 144	11 983	..	14 356	16 999	15 807	18 053	19
	South-East Asia		70 532	71 943	71 578	83 854	113 096	120 423	138 335	126 853	122
		Brunei Darussalam	- 17	- 33	- 27	- 6	- 25	27	28	27	
		Cambodia	1	1	1	- 2	- 2	- 2	- 2	- 2	
		Indonesia	10 511	-	-	..	8 603	9 484	14 978	16 273	9

	Lao People's Dem. Rep.	-	-	-	- 3	- 3	- 3	- 3	- 3	
	Malaysia	7 489	7 101	7 057	8 909	11 097	11 185	12 140	12 243	9
	Myanmar	..	-	-	-	1	-	-	-	
	Philippines	5 436	5 964	6 390	6 176	6 522	6 948	6 953	5 505	4
	Singapore	40 764	50 955	51 053	61 076	76 390	81 879	93 529	83 169	87
	Thailand	6 176	7 774	6 886	7 499	10 252	10 642	10 284	9 162	9
	Viet Nam	172	181	218	205	261	261	426	477	
South Asia		3 269	5 060	5 872	8 937	8 536	11 358	14 933	19 170	22
	Afghanistan	-	-	-	6	6	6	6	6	
	Bangladesh	193	220	189	354	181	365	218	260	
	India	2 496	4 232	4 868	7 658	7 162	9 746	14 622	18 354	21
	Iran, Islamic Republic of	-	-	-	..	..	..	2	1	
	Maldives	5	6	7	1	1	1	1	1	
	Nepal	4	4	2	1	1	1	1	2	
	Pakistan	522	563	755	858	1 130	1 167	..	430	
	Sri Lanka	45	31	47	56	52	69	80	113	
West Asia		9 163	11 301	12 078	15 474	15 700	18 179	24 545	26 391	28
	Bahrain	46	70	144	207	210	155	80	6	
	Iraq	-	-	53	..	..	..	..	..	
	Jordan	..	-	-	55	- 2	39	105	137	
	Kuwait	380	-	-	..	..	637	..	1 458	
	Lebanon	100	102	109	156	169	151	179	214	
	Oman	236	193	358	..	..	..	..	..	
	Qatar	1 767	2 278	3 195	4 027	4 997	5 395	7 841	..	

		2001	2002	2003	2004	2005	2006	2007	2008	20
	Saudi Arabia	3 570	4 930	3 140	3 657	3 830	4 410	5 012	5 126	7

	Syrian Arab Republic	..	-	-	..	- 45	8	10	9
	Turkey	1 641	1 869	2 213	2 682	2 563	3 141	5 584	4 542
	United Arab Emirates	834	1 087	1 934	2 962	2 285	2 670	2 967	3 337
	Yemen	548	552	618	640	497	779	814	700
Latin America and the Caribbean		194 642	199 941	212 714	250 853	266 360	284 950	344 452	381 445
South America		76 809	64 603	66 256	68 685	73 311	80 477	104 732	98 603
	Argentina	15 535	11 288	10 663	9 201	10 103	13 174	13 692	12 197
	Bolivia, Plurinational State of	439	380	361	331	316	308	248	324
	Brazil	32 027	27 598	29 553	29 485	30 882	33 504	48 807	43 953
	Chile	10 526	8 928	9 021	10 804	11 127	10 927	16 337	16 286
	Colombia	3 122	2 622	2 773	2 991	4 292	3 799	4 552	5 028
	Ecuador	579	809	975	881	941	904	1 007	1 098
	Guyana	143	157	165	163	174	197	194	210
	Paraguay	414	114	115	103	98	90	..	..
	Peru	3 197	3 310	3 401	4 773	5 542	5 561	5 964	4 448
	Suriname	40	97	176	255	292	276	..	..
	Uruguay	711	620	614	589	609	815	638	1 081
	Venezuela, Bolivarian Rep.	10 069	8 671	8 438	9 109	8 934	10 922	12 871	13 545
Central America		60 716	65 395	64 647	73 214	82 496	91 811	102 472	101 291
	Belize	37	52	54	78	80	..	38	46
	Costa Rica	1 835	1 803	840	2 687	1 598	2 105	2 267	2 414
	El Salvador	464	664	645	851	934	626	1 490	3 163
	Guatemala	311	300	298	410	386	436	614	1 188
	Honduras	227	181	272	755	821	864	626	809
	Mexico	52 544	56 303	56 851	63 384	73 687	82 965	91 046	87 443
	Nicaragua	157	250	278	131	163	..	220	266
	Panama	5 141	5 842	5 409	4 919	4 826	4 636	6 171	5 963
Caribbean		57 117	69 942	81 653	108 954	110 553	112 662	137 248	181 551
	Anguilla	..	2	-	- 5	- 5	- 5	- 5	- 5
	Antigua and Barbuda	89	93	30	34	30	9	9	9

		Aruba	806	728	442	172	117	314	410	360	
		Bahamas	5 533	7 645	8 643	11 255	13 451	13 703	16 567	23 127	24
		Barbados	2 240	1 817	984	3 249	3 881	4 831	2 136	3 154	5
		British Virgin Islands	36 443	48 305	61 882	82 159	83 164	84 817	105 829	134 298	160
		Dominican Republic	1 116	983	816	1 028	815	789	712	806	1
		Haiti	55	63	74	77	100	137	115	113	
		Jamaica	2 957	3 097	3 406	3 551	1 018	940	801	940	
		Netherlands Antilles	5 695	4 753	2 926	4 712	5 607	3 924	6 483	13 314	14
		Saint Kitts and Nevis	- 1	- 1	- 1	- 1	36	..	-	-	
		Trinidad and Tobago	2 025	2 326	2 392	2 577	2 219	..	3 916	5 109	5
	Oceania		1 685	1 683	1 671	129	110	3 074	242	157	
		Fiji	23	-	32	38	42	43	48	44	
		French Polynesia	..	-	8	..	..	..	..	..	
		Marshall Islands	1 632	1 652	1 610	..	..	2 917	..	..	
		Nauru	1	1	1	1	1	1	-	-	
		Papua New Guinea	29	30	20	12	- 16	8	61	..	
		Samoa	-	-	-	1	1	1	1	1	
		Tuvalu	-	-	-	-	-	-	-	-	
		Vanuatu	..	-	-	77	82	89	97	107	
Transition economies			7 526	8 024	10 005	14 014	17 609	21 329	21 574	27 326	30
	South-East Europe		36	42	36	22	49	51	53	65	
		Albania	..	6	5	2	2	2	2	2	
		Bosnia and Herzegovina	7	7	7	..	5	2	-	- 2	
		Montenegro	-	-	-	1	1	1	1	1	
		Serbia	-	24	19	15	37	42	46	60	
		Serbia and Montenegro	24	-	-	-	-	-	-	-	
		The FYR of Macedonia	5	5	5	4	4	4	4	4	

			2001	2002	2003	2004	2005	2006	2007	2008	20
	CIS		7 490	7 982	9 969	13 992	17 560	21 278	21 521	27 261	3(
		Armenia	-	-	-	3	3	3	3	3	
		Azerbaijan	1 019	1 703	2 006	2 788	3 002	4 166	5 480	..	1
		Belarus	6	-	-	..	13	14	16	17	
		Kazakhstan	5 246	4 502	4 935	4 754	4 565	5 187	..	6 548	7
		Kyrgyzstan	2	2	2	2	2	2	-	-	
		Moldova, Republic of	1	1	1	1	1	1	1	1	
		Russian Federation	883	1 135	2 511	6 088	9 363	11 371	15 029	19 777	20
		Ukraine	168	198	238	295	397	536	991	912	
		Uzbekistan	99	91	77	..	135	..	..	..	
	Georgia		..	350	62	65	82	..	2	3	
Unspecified			521	200	194	358	- 113	886	7 239	8 285	1

Table 8: FDIs stock out, United States

Source: UNCTAD (2018) FDI/TNC database, based on data from the Ministry of Commerce (MOFCOM)

EUROPEAN UNION
European Structural and Investment Funds
Operational Programme Research,
Development and Education

MINISTRY OF EDUCATION
YOUTH AND SPORTS